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華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED
華 夏 文 化 科 技 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01566)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (2) APPLICATION OF WAIVER UNDER RULE 13.46(2) OF THE LISTING RULES

(1) AUDITED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of CA Cultural Technology Group Limited (華夏文化科技集團有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited annual results of the Group for the financial year ended 31 March 2022 (the "**Audited Annual Results**"). This announcement, containing the full text of the annual report of the Company for the financial year ended 31 March 2022 (the "**2022 Annual Report**"), complies with the relevant content requirements of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in relation to preliminary announcements of the annual results. The Company's 2022 Annual Report will be despatched to the shareholders of the Company, and available for viewing on the websites of the Stock Exchange of Hong Kong (www.hkexnews.hk) and the Company (www.animatechina.com) on or before 30 September 2022.

Material Differences between Unaudited and Audited Annual Results

Reference is made to the announcement (the "**Unaudited Annual Results Announcement**") of the Company dated 30 June 2022 in respect of, among others, the unaudited annual results of the Group for the financial year ended 31 March 2022 (the "**Unaudited Annual Results**") and their publication.

Since the Unaudited Annual Results were not audited or agreed with the auditors of the Company (the "**Auditors**") as at the date of their publication and subsequent adjustments have been made to such information. The shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the Unaudited Annual Results and Audited Annual Results. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2022

	Audited *HK$'000*	**Unaudited** *HK$'000*	**Difference** *HK$'000*	*Notes*
Other gains and losses	(8,154)	1,208	(9,362)	1
Administrative expenses	(180,067)	(100,039)	(80,028)	2
Share of (loss)/profit of a joint venture	(18,930)	(8,470)	(10,460)	3
Share of (loss)/profit of associates	(112,351)	8,621	(120,972)	4
Finance costs	(80,638)	(56,457)	(24,181)	5
Impairment loss on investment in a joint venture	(2,156)	–	(2,156)	3
Impairment loss on property, plant and equipment	(69,589)	–	(69,589)	6
Impairment loss on right-of-use assets	(20,566)	–	(20,566)	6
Impairment loss on intangible assets	(96,051)	–	(96,051)	6
(Impairment loss)/reversal of impairment loss under expected credit loss model, net of reversal	(537,296)	(295,203)	(242,093)	7
Items that will not be reclassified to profit or loss:				
Fair value (loss)/gain on financial assets at fair value through other comprehensive income				
– investment in equity instrument at fair value through other comprehensive income	(45,442)	(9,567)	(35,875)	8

Consolidated Statement of Financial Position
As at 31 March 2022

	Audited	Unaudited	Difference	*Notes*
	HK$'000	*HK$'000*	*HK$'000*	
Non-current assets				
Property, plant and equipment	190,849	276,077	(85,288)	6
Right-of-use assets	93,912	122,739	(28,827)	6
Intangible assets	94,768	224,268	(129,500)	2, 6
Interest in associates	103,473	225,444	(121,971)	4
Interest in a joint venture	87,743	100,359	(12,616)	3
Financial assets at fair value through other comprehensive income	12,825	48,700	(35,875)	8
Deposits for acquisition of property, plant and equipment	72,492	122,492	(50,000)	9
Deposit for a theme park development project	50,000	–	50,000	9
Current assets				
Trade receivables	170,054	193,637	(23,583)	7
Other receivables, deposits and prepayments	258,995	482,995	(224,000)	7
Current liabilities				
Other payables and accruals	122,907	104,127	18,780	10
Non-current liabilities				
Obligation arising from a put option to a non-controlling interest	13,376	3,065	10,311	1
Put option derivatives	–	1,517	(1,517)	1
Capital and reserves				
Reserves	31,152	742,159	(711,007)	11

Notes:

1. The difference was mainly due to the loss on a put option to a non-controlling interest of approximately HK$8,794,000 was recognised in the other gains and losses in the Audited Annual Results, by reference to the updated valuation for the put option to a non-controlling interest and the put option derivative which was only available after the publication of the Unaudited Annual Results.

2. The difference in administration expenses was mainly due to an additional amortisation of intangible assets of approximately HK$55,846,000 was recognised in the administrative expenses in the Audited Annual Results due to change in the amortization policy, and reclassification of prepayment for services fee of approximately HK$20,559,000 to the administrative expenses in the Audited Annual Results. The additional amortisation of intangible assets also lead to the decrease in intangible assets in the consolidated statement of financial position.

3. The difference was mainly due to an impairment loss recognised in the joint venture's major asset. As a consequence, it increased the Group's share of loss of the joint venture and impairment loss on investment in a joint venture. The impairment loss was recognised by reference to a professional valuation report which was only available after the publication of the Unaudited Annual Results.

4. The difference was mainly due to significant impairment losses recognised in the associates' major assets. As a consequence, it increased the Group's share of loss of the associates. The impairment losses were recognised in the associates' major assets by reference to the professional valuation reports which were only available after the publication of the Unaudited Annual Results.

5. The difference was mainly due to the additional effective interest expenses on bonds of approximately HK$19,368,000 and additional effective interest expenses on guaranteed note of approximately HK$4,820,000 were recognised in the finance costs in the Audited Annual Results.

6. The differences were mainly due to the additional impairment losses on property, plant and equipment, right-of-use assets and intangible assets, with reference to the professional valuation reports which were only available after the publication of the Unaudited Annual Results.

7. The difference was mainly due to an increase in impairment loss on trade receivables and other receivables, with reference to the expected credit losses valuation reports which were only available after the publication of the Unaudited Annual Results.

8. The difference was due to fair value loss in the financial assets at fair value through other comprehensive income, with reference to a professional valuation report which was only available after the publication of the Unaudited Annual Results.

9. The difference was due to reclassification of deposits for acquisition of property, plant and equipment to deposit for a theme park development project.

10. The difference was mainly due to additional effective interest expenses recognised as detailed in Note 5 above.

11. The difference was mainly due to the increase in loss for the year resulting from adjustments as detailed in Notes 1 to 8 above.

Save as disclosed in this announcement and the corresponding adjustments as initiated by the Auditors related to the above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

(2) THIRD APPLICATION OF THE WAIVERS UNDER RULE 13.46(2) OF THE LISTING RULES

Reference is made to the announcement (the "**Announcement**") of the Company dated 20 September 2022, in relation to, amongst other things, expected delay in publication of the Audited Annual Results and the application of the Third Waiver as a result to such delay.

As disclosed in the Announcement, the date of the publication of the Audited Annual Results has been delayed to 26 September 2022, and with respect to the Third Waiver, the Company has applied to the Stock Exchange on 20 September 2022 for a waiver from strict compliance with (i) Rule 13.46(2)(a) of the Listing Rules, on the basis that the Company will publish the Annual Report on or before 30 September 2022; and (ii) Rule 13.46(2)(b) of the Listing Rules, on the basis that the Company will hold its AGM on or before 1 November 2022.

Further announcement(s) in relation to the status of grant of the Third Waiver will be made by the Company as and when appropriate in accordance with the Listing Rules.

By order of the Board
CA CULTURAL TECHNOLOGY GROUP LIMITED
CHONG Heung Chung Jason
Chief Executive Officer and Executive Director

Hong Kong, 26 September 2022

As at the date of this announcement, the Board comprises six Directors. Mr. CHONG Heung Chung Jason (Chief Executive Officer), Ms. LIU Moxiang and Mr. XIONG Hao are executive Directors and Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming are independent non-executive Directors.

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 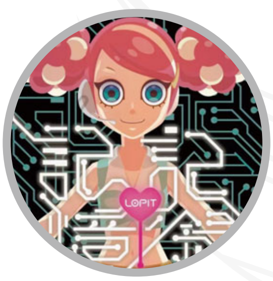  

CORPORATE INFORMATION

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Suites 2905 29/F
China Resources Building
26 Harbour Road Wanchai
Hong Kong

Principal Place of Business in China
China Animation Creative Industry Park
(華夏動漫創意產業園)
Youyi Road, Longcheng Street
Longgang District Shenzhen
The People's Republic of China ("**PRC**")

Company's Website
www.animatechina.com

Executive Directors
Mr. CHONG Heung Chung Jason (莊向松)
(formerly named as Mr. ZHUANG Xiangsong (庄向松))
Mr. TING Ka Fai Jeffrey (丁家輝) (resigned on 15 June 2022)
Ms. LIU Moxiang (劉茉香)
Mr. XIONG Hao (熊浩) (appointed on 6 January 2022)

Independent Non-executive Directors
Mr. NI Zhenliang (倪振良)
Mr. TSANG Wah Kwong (曾華光)
Mr. HUNG Muk Ming (洪木明)

Audit Committee of our Board
Mr. TSANG Wah Kwong (曾華光) *(Chairman)*
Mr. HUNG Muk Ming (洪木明)
Mr. NI Zhenliang (倪振良)

Remuneration Committee of our Board
Mr. HUNG Muk Ming (洪木明) *(Chairman)*
Mr. TSANG Wah Kwong (曾華光)
Mr. TING Ka Fai Jeffrey (丁家輝) (resigned on 15 June 2022)

Nomination Committee of our Board
Mr. CHONG Heung Chung Jason (莊向松) *(Chairman)*
Mr. HUNG Muk Ming (洪木明)
Mr. NI Zhenliang (倪振良)

Investment Committee of our Board
Mr. CHONG Heung Chung Jason (莊向松) *(Chairman)*
Ms. LIU Moxiang (劉茉香)
Mr. TSANG Wah Kwong (曾華光)
Mr. TING Ka Fai Jeffrey (丁家輝) (resigned on 15 June 2022)

Authorised Representatives
Mr. CHONG Heung Chung Jason
Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

Company Secretary
Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office
Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

Auditor
KTC Partners CPA Limited
Room 617, Seapower Tower
Concordia Plaza
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Tsim Sha Tsui East
Kowloon, Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Tsim Sha Tsui CVC Branch
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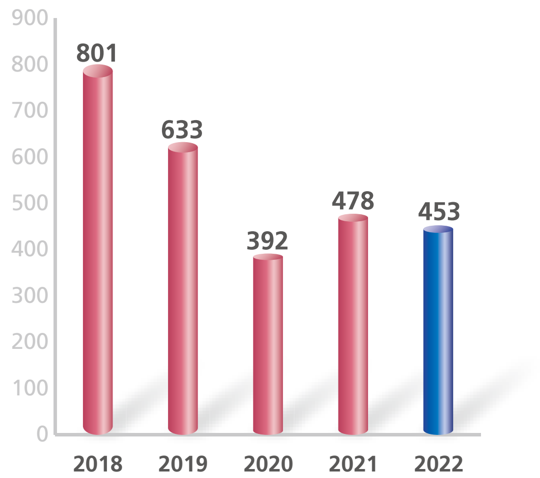
Hang Seng Bank Limited
Chung On Street Branch
38 Chung On Street
Tsuen Wan, New Territories
Hong Kong

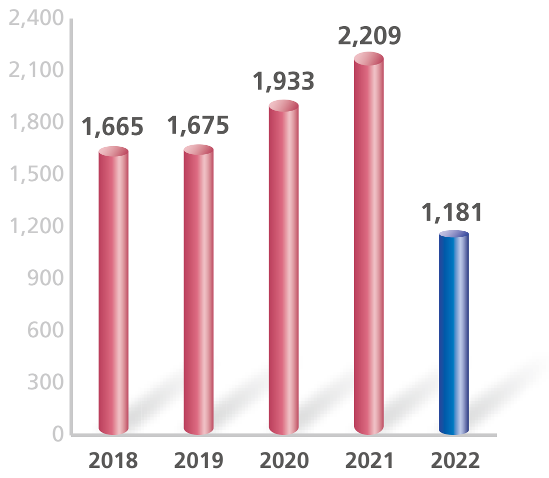
Bank of China (Hong Kong) Limited
56 and 58, Sai Kung Town Centre,
22-40 Fuk Man Road, Sai Kung,
New Territories
Hong Kong

FINANCIAL HIGHLIGHTS

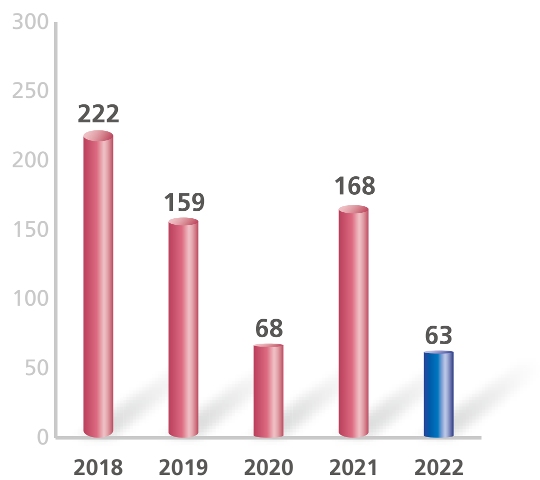
Revenue (HK$ million)



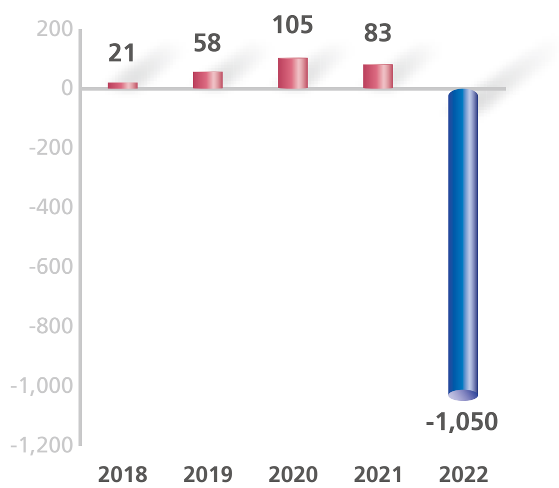
Total Assets (HK$ million)



Gross Profit (HK$ million)



Profit/Loss (HK$ million)



CORPORATE PROFILE

The Group is a multimedia entertainment group in China which engage in three main business segments:

1) Through asset-light licensing model to expand the world's No.1 indoor theme park CA SEGA JOYPOLIS brand;

2) animation-derived products trading business, meanwhile on this basis, to explore IP online Pop Toy Collectibles platform business;

3) Multimedia animation entertainment business focusing on animation IP and VR (including eSports).

CA SEGA JOYPOLIS (formerly known as "**SEGA JOYPOLIS**") is the world's No.1 indoor theme park brand acquired by the Group from SEGA Holding in 2017. The Group cooperated with different business partners using asset-light licensing model to expand strategic layout of the theme park brand. Currently, the Group operates large theme parks CA SEGA JOYPOLIS in Shanghai and Qingdao China, as well as Tokyo Japan, and license Wonder Forest kids amusement parks in first-tier and second-tier cities in China.

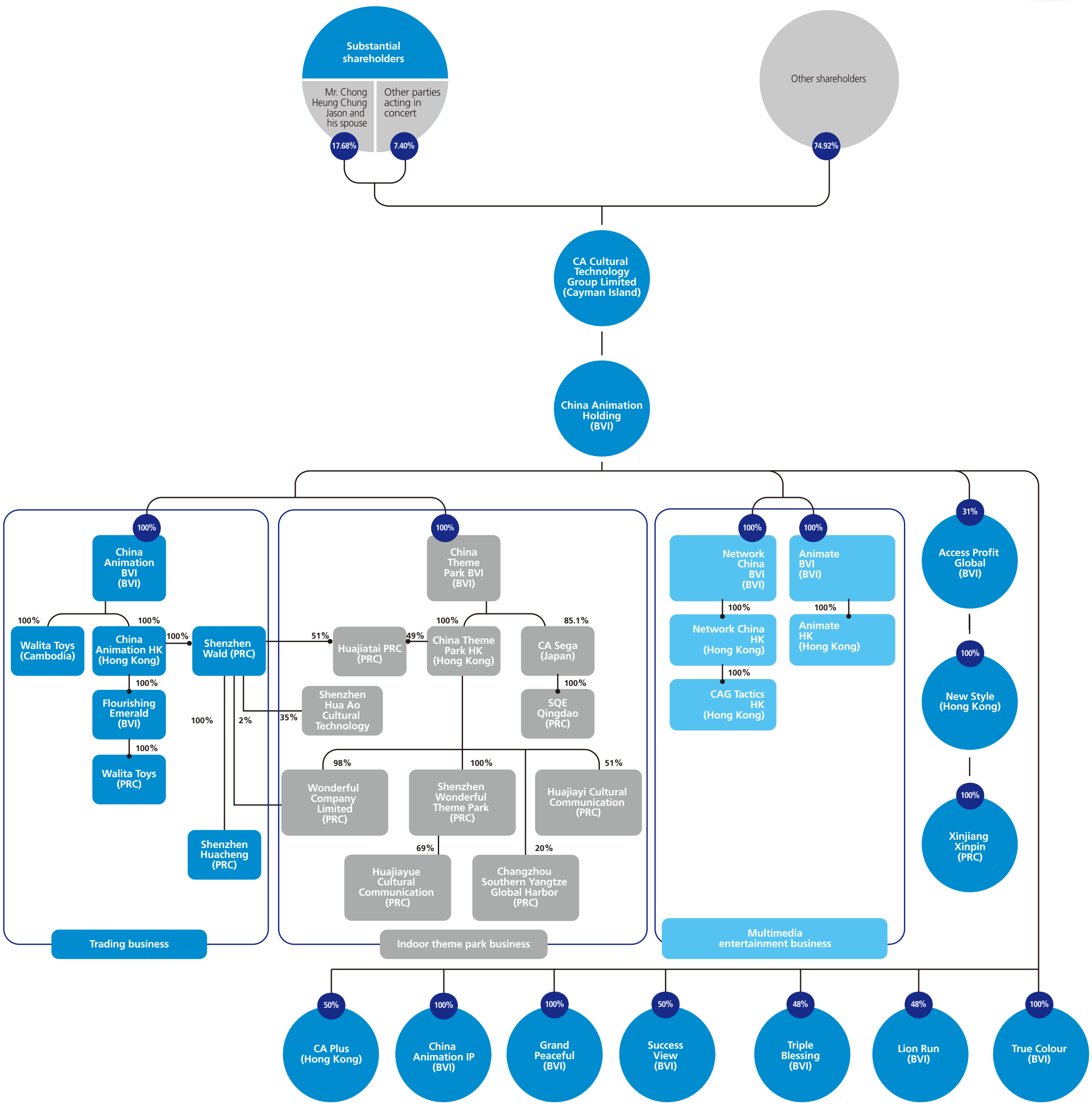
The Group has over 30 years' experience in IP Pop Toy industry (mainly IP Pop Toy manufacturing business), engaged in the trading business as well as relevant value-added services of sales of animation-derived products featuring a wide range of popular third-party owned animation characters (mainly toys).

Most of the customers of the Group are companies in Japan sourcing animation-derived products for toys companies in Japan market for leading outdoor theme parks in Japan and toy distributors of other countries with branches located in Japan. The Group maintained long term and solid client relationships. The Group has accumulated years of experience, resources, and reputation in the animation industry to fully develop IP Pop Toy online platform business.

The Group owns many famous animation IP, including two top 10 national cartoon characters – "Han Ba Gui" and "Violet", as well as characters from movies and animated dramas such as "The King of Tibetan Antelope", "Project Egg", "Animal Conference on the Environment" and "Amazing UU". China's first virtual artist "Violet" created by the Group has held a number of 3D Holographic Concerts in Shenzhen and Hong Kong since 2015. The Group also enjoys close cooperative relationships with many world-leading IP brands such as "Transformers" in the US, SEGA Sonic the Hedgehog, Initial D, etc. The Group also participated as the second largest shareholder in the co-investment and co-production of the animated series "The Reflection" with international famous partners such as Studio Deen from Japan, Stan Lee "Father of Marvel" which was broadcasted over 38 countries and regions.

The Group established VR eSports and VR O2O game model, and become one of the leaders in VR eSport industry. And the Group hosts "China Animation Cup – National VR eSports Tournament" with the world's first ever VR shooting battle game "Tower Tag". The Group launched its groundbreaking and self-innovated VR eSports game "Huang Yangjie Battle 黃洋界保衛戰" to promote red tourism and was the only VR game awarded two prestigious industry awards named "Chinese Information Consumption Innovation award 2018 (2018中國信息消費創新獎)" and "Gold Award of Chinese eSports Innovative Software 2019 (2019中國電子競技創新獎軟件金獎)" presented by China Information Industry Trade Association (中國信息產業協會).

Shareholding and Corporate Structure as at 31 March 2022



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors of CA Cultural Technology Group Limited ("**CA Cultural**" or the "**Company**"), I am pleased to present the report of the Company and its subsidiaries (the "**Group**", "**we**" or "**us**") for the year ended 31 March 2022 (the "**Year under Review**").

As the variant of coronavirus is good at spreading, the pandemic was still unstable. The PRC government has to implement different degrees of crowd management and epidemic prevention and control measures in response to the changes in the pandemic situation. In order to act in concert with the domestic and overseas epidemic prevention measures, the operation of the Group's business divisions have been affected to varying degrees. The indoor theme parks had to suspend operations temporarily, which affected the audit work planning. The Group's business and strategic cooperation planning were also delayed and re-scheduled, which resulted in tight operation capital while new capital could not be available in time.

During the Year under Review, the Board and the management of each business unit continued to adjust their business strategies, in order to drive revenue and reduce expenditure, and to find new sources of funds and revenue. However, during the Year under Review, the general economic climate and market sentiment were still uncertain. Meanwhile, in common with many other enterprises, many difficulties and challenges came to us every minute and second. But as always, we chose to embrace the challenges because we believe that maintaining the status quo will only be eliminated and that being brave to step forward is the only key to make success.

I would like to express my sincere gratitude to the members of the execution team who are still sticking to their posts during this difficult time, and a big thanks to our customers, strategic shareholders and investors who are still willing to support us, the last but not the least, our professional teams who always provide advice and assistance from time to time.

CHAIRMAN'S STATEMENT

Though we are currently under such a sluggish market environment, there are still many investors and cooperation partners who are optimistic about the animation culture and VR industry, especially the Web 3.0 and Metaverse-level indoor park established by our Japanese team, as well as the precious Japanese IP resources of the Group. All these indicators show that our business prospect is still promising. Let us continue to work hard and make good use of the resources and experience we have accumulated over the years to open a new chapter for the cultural industry!

Chong Heung Chung Jason
Chairman
Hong Kong, 26 September 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The pandemic suppressed demand for entertainment, and the performance of entertainment and tourism consumption has yet to be released

During the Year under Review, the epidemic has affected the pace of global economic development, and has also affected different industries to varying degrees. Although the pandemic situation in China was under control compared with other countries, due to the rebound of infection cases in some of the provinces and cities, including Shanghai, Shenzhen, Guangzhou and other places, the PRC government needed to implement small scale control measures to lock down those areas and cities to prevent further spreading of pandemic, which inevitably affected local economic activities and daily activities of the people.

According to the domestic tourism data of the Ministry of Culture and Tourism of the People's Republic of China, in the first quarter of 2022, the total number of domestic tourists was 830 million, representing a decrease of 19.0% (194 million) compared with the same period of the previous year. However, revenue contributed by domestic tourism (total tourism consumption) was RMB7,700 trillion, with an increase of RMB30 billion or 4.0% over the same period of the previous year, which was mainly driven by urban residents' tourism consumption. By this token, the pandemic has suppressed the needs of citizens to go out for entertainment.

According to the data released by the Japan Tourism Agency, the domestic tourism consumption of Japan in 2022 dropped by 8.5% year-on-year to JPY9,121.5 billion, and recorded the lowest in history since the survey began in 1998. The restrictions measures among countries during the epidemic also affected the consumption performance on Japan's tourism.

The rise of the metaverse concept drives the diversify development of game technology

The "China Gaming Industry Report 2021" released by the China Audio and Digital Association Game Working Committee showed that the number of users in the game market in China has reached 666 million, with an actual sales revenue of RMB296.5 billion. Since 2021, the game industry in China has managed to maintain steady growth with a year-on-year increase of 0.22% to 666 million users. The actual sales revenue of RMB296.513 billion, representing an increase of RMB17.826 billion compared with that of 2020.

Driven by the concept of the metaverse, game live broadcasts and short game videos have risen rapidly. In 2021, China's gaming industry developed in a diversified manner. The Report shows that in 2021, the number of live broadcast game users exceeded 100 million, with a growth rate of 108.3%, and users who watched the games for more than 1 hour a day accounted for more than 63%. In addition to the growth of the market and number of users, the channel communication attributed of live broadcasts were also becoming increasingly prominent.

Business Review

During the Year under Review, the overall performance of the Group is as follows:

1. Trading business of animation derivatives: Pop Toy and IP culture facilitates number of orders and revenue

Global inflation is heating up and results in the rise of operating and trading costs of animation derivatives, but the popularity of Pop Toy and IP culture drove the number of orders in the entire animation derivatives market as a whole. However, due to keen market competition, many industry peers attracted customers by cutting their prices. During the Year under Review, the Group retained stable, progressive pace in its trading business by adjusting its sales strategy and providing high-quality value-added services, so as to make progress and maintain stability in the tough and challenging market environment.

Business Review (Continued)

2. Indoor theme park business: Guangzhou CA SEGA JOYPOLIS (廣州華夏世嘉歡樂世界) officially opened. All parks have taken safety and prevention measures against the pandemic to bring tourists a safe and fun experience

CA SEGA JOYPOLIS (華夏世嘉歡樂世界) in Zengcheng District, Guangzhou, which the Group licensed Junming Group, a real estate developer in the PRC, has started its operations on 1 October 2021. The theme park is located in the CA SEGA JOYPOLIS (華夏世嘉歡樂世界), which has the same name as the theme park covering approximately 180,000 square meters. The indoor park covers an area of about 15,000 square meters. The project is also equipped with different commercial and cultural tourism facilities, including a 10,000-square-meter Japanese anime IP hotel, a 17-meter-high, 400-meter-long creative aerial runway plus a nearly 6,000-square-meter rooftop sports park, which together made a new landmark of cultural tourism in Guangzhou. The licensed theme park also brought an one-off licensing fee income to the Group during the Year under Review.

During the Year under Review, the Group's CA SEGA-branded theme parks, including SEGA JOYPOLIS in Tokyo Japan, Shanghai JOYPOLIS and Qingdao JOYPOLIS in China, as well as kids amusement parks in different regions, have also temporarily suspended their operations but since the pandemic situation was stable compared with that of 2020, the control measures were relaxed and thus improved the ticketing revenue of the Group. However, the business collaborations with overseas partners to launch licensing theme parks have been affected due to the uncertainties caused by the pandemic.

During the Year under Review, the Group's new theme park product line – JOYPOLIS SPORTS, was grandly opened in Sendai, Japan on 29 April 2022. This is an amusement world where both disabled and able-bodied people regardless of age and gender can enjoy the fun of sports and promote the benefits of "entertainment and sports".

3. Multimedia animation entertainment business

During the Year under Review, the Group's licensed theme park has opened a new VR (Virtual Reality) theme park area and introduced corresponding VR themed amusement equipment, which contributed to the Group's VR equipment revenue. At the same time, the Group had kicked off business negotiation with different partners in relation to IP cooperation in order to explore different surrounding derivatives, including but not limited to theme parks, online live broadcasts and virtual platforms.

Business Prospects

The pandemic has suppressed citizens' needs to go out for entertainment, but their appetite for leisure and entertainment remains strong. Once the pandemic is brought under control, the related cultural, entertainment and tourism industries are expected to recover rapidly.

Although the Group is facing unprecedented challenges, the Group will still continue to actively seek stability and progress in the face of uncertainties. The Group will continue to develop and launch different types of CA SEGA JOYPOLIS theme parks (including Metaverse-themed virtual reality parks) and present them to tourists through different real and virtual scenes. Moreover, the Group will launch IP theme parks and different types of amusement facilities through the Group's rich animation IP resources to cater to different target groups, so as to explore for more surrounding derivatives consumption areas to increase income sources.

Another licensed large indoor theme park CA SEGA JOYPOLIS project (10,000 square meters or more) will be gradually kicked off when the pandemic becomes stable.

Moreover, small-to-mid indoor kids theme park CA SEGA JOYPOLIS Kids (3,000-5,000 square meters, containing animation IP as theme) will quickly manipulate in different cities in China in terms of chain-stores, which will bring considerable revenue to the Group and enhance the brand power of CA SEGA indoor theme park.

In order to strengthen the synergy and operation efficiency of different business segments of the Group, the Group plans to introduce offline traffic of the park to online Pop Toy Collectibles platform via APP. An IP Pop Toy special booth will be set up in the indoor parks to host IP events including IP parades, KOL live streaming and more, to attract more animation IP lovers to visit theme parks to experience, at the same time, encourage more followers and sales of the online platform.

Financial Review

The following sets forth a summary of the performance of the Group for the year ended 31 March 2022 with comparative figures for the latest year as follows:

	For the year ended 31 March	
	2022	2021
Revenue (HK$'000)	**453,136**	478,309
Gross profit (HK$'000)	**62,726**	167,700
Gross profit margin (%)	**13.8**	35.1
(Loss)/profit attributable to owners of the Company (HK$'000)	**(1,050,184)**	83,086

Revenue

The revenue decreased by approximately HK$25.2 million, or approximately 5.3%, compared to the approximately HK$478.3 million for the year ended 31 March 2021 to approximately HK$453.1 million for the year ended 31 March 2022. The decrease was primarily due to the decrease in the revenue from multimedia animation entertainment business of HK$64.5 million.

Sales of animation derivative products

The revenue from sales of animation derivative products increased by approximately 15.9% from approximately HK$139.2 million for the year ended 31 March 2021 to approximately HK$161.4 million for the year ended 31 March 2022. The increase was primarily due to the recovery from the outbreak of the COVID-19, certain lockdown measures were relieved by Japan government and the Group received new orders for IP derivative products.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks increased by approximately 91.4% from approximately HK$142.5 million for the year ended 31 March 2021 to approximately HK$272.7 million for the year ended 31 March 2022. The increase was primarily due to the relief of certain anti-epidemic measures imposed by Japan and PRC government.

The number of visitors based on ticket sales decreased by approximately 7.7% from approximately 1.3 million for the year ended 31 March 2021 to approximately 1.2 million for the year ended 31 March 2022.

The analysis of the number of visitors is set out below:

	2022 '000	2021 '000
PRC	**922**	1,053
Japan	**307**	202

During the year ended 31 March 2021, Qingdao JOYPOLIS of the Group has adopted special promotion offer to attract visitors during pandemic. But during the Year under Review, the control measure has been relaxed and the tourism industry started to recover in the PRC, such offer has been stopped and thus recorded a decrease in the number visitors in the PRC.

Financial Review (Continued)

Multimedia animation entertainment

The revenue from multimedia animation entertainment decreased by approximately HK$64.5 million, or approximately 77.2%, from approximately HK$83.6 million for the year ended 31 March 2021 to approximately HK$19.1 million for the year ended 31 March 2022. The revenue from multimedia animation entertainment included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities. The decrease was primarily due to certain licencing agreements were renegotiated with lower licencing income due to the economic uncertainty and absence of such income from licensing the IP rights to a land developer during the year ended 31 March 2021.

Revenue from provision of theme park design and consultancy service

During the year ended 31 March 2021, the Group cooperated with land developers to provide IP rights licencing, projects planning, designs and feasibility studies but such income was not derived for the year ended 31 March 2022.

Cost of sales and services

The cost of sales and services increased by approximately HK$79.8 million, or approximately 25.7%, from approximately HK$310.6 million for the year ended 31 March 2021 to approximately HK$390.4 million for the year ended 31 March 2022. The increase was mainly due to the launch of licensed indoor theme park in Zengcheng District, Guangzhou during the year ended 31 March 2022. The relevant costs for the equipment sale were recognised.

Gross profit and gross profit margin

The Group's gross profit decreased significantly by approximately HK$105.0 million, or approximately 62.6%, from approximately HK$167.7 million for the year ended 31 March 2021 to approximately HK$62.7 million for the year ended 31 March 2022. The Group's gross profit margin decreased significantly from approximately 35.1% for the year ended 31 March 2021 to approximately 13.8% for the year ended 31 March 2022. The significant decrease in gross profit and gross profit margin was mainly due to the absence of revenue from provision of theme park design and consultancy service for the year ended 31 March 2022 which had high profit margin.

Other income

Other income increased by approximately HK$2.2 million from approximately HK$8.4 million for the year ended 31 March 2021 to approximately HK$10.6 million for the year ended 31 March 2022. The increase was primarily due to government grant of HK$9.1 million was received by CA SEGA JOYPOLIS during the year ended 31 March 2022.

Other gains and losses

The Group recorded a loss of HK$8.2 million for the year ended 31 March 2022, compared to a gain of HK$52.6 million for the year ended 31 March 2021. The reasons were including (i) the absence of gain from changes in fair value of financial assets mandatorily measured at FVTPL and net gain on disposal of property, plant and equipment approximately HK$55.9 million for the year ended 31 March 2022; and (ii) the net loss on a put option to a non-controlling interest of approximately HK$8.8 million (2021: gain of HK$3.4 million) was recognised during the year ended 31 March 2022.

Selling and distribution expenses

The selling and distribution expenses increased by approximately HK$2.1 million, or approximately 16.3%, from approximately HK$12.9 million for the year ended 31 March 2021 to approximately HK$15.0 million for the year ended 31 March 2022. The Group's selling and distribution expenses as a percentage of revenue increased from approximately 2.7% for the year ended 31 March 2021 to approximately 3.3% for the year ended 31 March 2022. The increase was primarily due to the cost incurred in the sales of equipment to the newly opened licensed theme park.

Research and development expenses

The research and development expenses increased by approximately HK$0.8 million from approximately HK$10.9 million for the year ended 31 March 2021 to approximately HK$11.7 million for the year ended 31 March 2022. The increase was primarily due to that more resources were deployed in researching and developing new amusement rides and games for indoor theme parks.

Financial Review (Continued)

Share of loss/profit of a joint venture

The Group recorded a share of loss of a joint venture, Success view, which principally engaged in multimedia animation entertainment business, of approximately HK$18.9 million for the year ended 31 March 2022 (2021: share of profit of approximately HK$8.7 million).

Share of loss/profit of associates

The Group recorded a share of loss of associates of approximately HK$112.4 million for the year ended 31 March 2022 (2021: share of profit of approximately HK$8.8 million).

Share of loss of associates were recorded for (i) Changzhou Joypolis, which principally engaged in operation of indoor theme park, of approximately HK$0.9 million for the year ended 31 March 2022 (2021: share of profit of approximately HK$0.2 million); (ii) Triple Blessing, which principally engaged in development and licensing of IP rights, of approximately HK$24.0 million for the year ended 31 March 2022 (2021: share of profit of approximately HK$4.4 million); (iii) Access Profit, which principally engaged in development of logistic and storage business, of approximately HK$78.8 million for the year ended 31 March 2022 (2021: approximately HK$0.3 million); and (iv) Lion Run, which principally engaged in development and licensing of IP rights, of approximately HK$8.7 million for the year ended 31 March 2022 (2021: share of profit of approximately HK$4.5 million).

Impairment loss on property, plant and equipment

The Group recognised approximately HK$69.6 million impairment loss on property, plant and equipment for the year ended 31 March 2022 (2021: nil).

Based on the valuation report, impairment losses of approximately HK$17.6 million and HK$52.0 million were recognised respectively on property, plant and equipment in the Huajiatai (Shanghai) indoor Amusement Co. Ltd and in Walita Toys (Cambodia) Company Limited.

Impairment loss on right-of-use assets

The Group recognised approximately HK$20.6 million impairment loss on right-of-use assets for the year ended 31 March 2022 (2021: nil).

Based on the valuation report, impairment losses of approximately HK$13.1 million and HK$7.5 million were recognised respectively on right-of-use assets in the Huajiatai (Shanghai) indoor Amusement Co. Ltd and relating to Walita Toys (Cambodia) Company Limited.

Impairment loss on intangible assets

The Group recognised approximately HK$96.1 million impairment loss on intangible assets for the year ended 31 March 2022 (2021: nil).

Based on the valuation report, impairment losses of approximately HK$51.5 million, HK$19.0 million and HK$25.6 million were recognised respectively for film rights, animation characters acquired before 1 April 2020 and the animation characters acquired through acquisition of Flourishing Emerald Limited.

Impairment losses under expected credit loss model, net of reversal

The Group recognised approximately HK$537.3 million impairment losses under expected credit loss model, net of reversal, for the year ended 31 March 2022 (year ended 31 March 2021: reversal of HK$5.2 million).

The impairment losses under expected credit loss model, net of reversal for the year ended 31 March 2022 comprised of impairment losses of trade receivables of approximately HK$88.5 million (2021: reversal of impairment losses of approximately HK$6.8 million) and other receivables, deposits and prepayments of approximately HK$448.8 million (2021: impairment losses of approximately HK$1.6 million).

Financial Review (Continued)

Loss/profit attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 31 March 2022 of approximately HK$1,050.2 million as compared to the profit recorded approximately HK$83.1 million for the year ended 31 March 2021. The reasons were including (i) the absence of the revenue from the provision of theme park design and consultancy service of approximately HK$113.0 million recorded for the year ended 31 March 2021; (ii) absence of one-off gain on changes in fair value of financial asset mandatorily measured at FVTPL and gain on disposal of property, plant and equipment approximately HK$55.9 million which was incurred for the year ended 31 March 2022; (iii) impairment loss approximately HK$537.3 million on certain other receivable and trade receivable which have been significantly past due for the year ended 31 March 2022; (iv) share of loss of a joint venture and associates of approximately HK$18.9 million and HK$112.4 million were recognised respectively during the year ended 31 March 2022; and (v) impairment loss approximately HK$69.6 million, HK$20.6 million and HK$96.1 million on certain property, plant and equipment, right-of-use assets and intangible assets respectively were recognised during the year ended 31 March 2022.

Deposits for acquisition of property, plant and equipment

	2022 HK$'000	2021 HK$'000
Project		
Development and establishment of new Wonder Forest	72,492	225,413
Development and establishment of new Joypolis	–	145,206
	72,492	370,619

Due to the outbreak of COVID-19, certain projects were delayed or suspended. The Group has negotiated with some developers to refund for the deposits. As a result, the deposits for the development and establishment of new Wonder Forest of approximately HK$153.7 million and the deposits for the development and establishment of new Joypolis of approximately HK$144.4 million were re-classified to current assets under "other receivables, deposits and prepayments".

Deposit for a theme park development project

Pursuant to a contract entered into between the Group and an independent consultant, a deposit of HK$50 million for a theme park development project was made as an advance payment to the said consultant for the intended formation of joint venture and acquisition of facilities for construction of theme parks in South-East Asia. The contract was still valid as at 31 March 2022.

Other receivables, deposits and prepayments

The amount was decreased by HK$176.0 million from HK$435.0 million for the year ended 31 March 2021 to HK$259.0 million for the year ended 31 March 2022. The net movement was mainly due to (i) the reclassification of the refundable deposits for the development and establishment of new Wonder Forest and new Joypolis of approximately HK$298.1 million from non-current assets under "deposits for acquisition of property, plant and equipment" and netted off an impairment of approximately HK$117.1 million; (ii) impairments for significantly past due balances including approximately HK$173.6 million receivable from disposal of intangible assets, approximately HK$24.9 million from deposits refundable from a game developer and approximately HK$134.3 million receivable from disposal of property, plant and equipment; and (iii) the recognition of expense in profit or loss from prepayments to various vendors of interior design and suppliers of indoor theme park facilities for reselling to the customers of approximately HK$23.2 million and prepayments of commission or service fee of approximately HK$19,590,000 to an independent bond placement agent for negotiations with the bond holders for the renewal of bonds and/or extension of bond payment dates.

Business Prospects

"CA SEGA JOYPOLIS indoor theme park + Pop Toy Collectible ecommerce platform" will be the dual driving force of the Group. Next, the Group will implement the cooperation intentions which was made during the Year under Review to welcome the growing indoor theme park market and online IP pop toy platform market.

Another licensed large indoor theme park CA SEGA JOYPOLIS project (10,000 square meters or more) will be launched in Jiangmen City, Guangdong Province, China. The Group has also authorized a well-known property developer in the Mainland China to launch several large indoor theme parks CA SEGA JOYPOLIS in China in the coming ten years, to further optimize the Group's theme park layout. For overseas theme park project, corresponding planning will be kicked off when the pandemic becomes stable.

Moreover, small-to-mid indoor kids theme park CA SEGA JOYPOLIS Kids (3,000-5,000 square meters, containing animation IP as theme) will quickly manipulate in different cities in China in terms of chain-stores, which will bring considerable revenue to the Group and enhance the brand power of CA SEGA indoor theme park.

In order to strengthen the synergy and operation efficiency of different business segments of the Group, the Group plans to introduce offline traffic of the park to online Pop Toy Collectibles platform via APP. IP Pop Toy special booth will be set up in the indoor parks to host IP events including IP parades, KOL live streaming and more, to attract more animation IP lovers to visit theme parks to experience, at the same time, encourage more followers and sales of the online platform.

Use of Net Proceeds from the Global Offering

The Company has received net proceeds of approximately HK$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 31 March 2022, approximately HK$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds		**Actual utilised as at 31 March 2022**	**Unutilised as at 31 March 2022**
	%	HK$'million	HK$'million	HK$'million
For the capital expenditure and the working capital for the Shanghai *JOYPOLIS* and for use in planning the next *JOYPOLIS*	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	21.5	64.3	45.7	18.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	16.6	49.5	49.5	–
Repayment of bonds, interests and related expenses	1.9	5.7	5.7	–
Total	100.0	298.6	280.0	18.6

Capital Structure, Liquidity and Financial Resources

As at 31 March 2022, the authorised share capital of the Company was HK$500.0 million divided into 5,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$118.2 million divided into 1,182,042,000 shares of HK$0.1 each.

As at 31 March 2022, the cash and bank balances of the Group were approximately HK$21.0 million (31 March 2021: approximately HK$56.0 million). The decrease was mainly due to the repayment of bonds and loans.

As at 31 March 2022, the Group had a gearing ratio (calculate as secured bank borrowings and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 62.9% (31 March 2021: approximately 31.4%).

During the year ended 31 March 2022, the Company issued bonds in par in an aggregate principal amount of HK$83.3 million (31 March 2021: HK$72.9 million). The bonds are denominated in HK$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from 5% to 9% (2021: 5.5% to 9%) per annum, payable monthly, semi-annually and annually in arrears with a maturity period ranging from 1 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

During the year ended 31 March 2022, the Company repaid principal amount of HK$80 million guaranteed note issued on 27 September 2017, and issued guaranteed note of principal amount of HK$20 million.

Treasury Policies

The Group has adopted a prudent treasury policy throughout the year ended 31 March 2022. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil HK cents per share). Due to the global economic environment has been severely affected by the outbreak of COVID-19, the Board believes that it is in the best interest for the Group to keep more liquidity and sufficient working capital for the forthcoming year and will resume for the distribution of dividend when the economy is back to normal.

Significant Investments Held

In August 2015, the Group entered into a strategic partnership agreement with an independent third party to enter into a long-term strategic alliance and partnership to collaborate across VR technology projects. The Group paid RMB4.5 million (equivalent to HK$5.4 million) as deposit for acquisition of long term investment, on a priority basis, to invest or co-invest in VR technology projects.

In January 2017, the Group acquired 85.1% of the issued shares of SEGA Live Creation Inc. (now renamed as "**CA SEGA JOYPOLIS Co. Limited**") under SEGA Holdings Group Japan at a consideration of JPY600.00 million and has become a non-wholly owned subsidiary to develop indoor amusement park business in the Greater China Region and over the globe.

Future Plans for Material Investments and Capital Assets

The Group will continue to expand CA SEGA JOYPOLIS theme park business in the globe through licensing the theme park to different partners in the PRC and overseas to increase brand awareness of the theme park whereas attract more fans around the world. The Group will invest and introduce online theme park membership system to add online theme park, online VR education and all kinds of VR amusement experience technology to explore more sources of revenue.

The Group will also integrate its quality animation IP as well as its international derivative production technology with popular O2O sales platforms to sell well-known original and quality animation IP derivative products.

In addition, the Group will continue to make breakthroughs in VR technology. The Group will invest in global wireless VR eSports network and establish a global user database to have a better understanding on the consumption habits and preference in the VR eSports market, and to generate better synergies with theme park business and IP business.

The Board believes that, the continuous promotion of the Group's animation cultural and technology business allows the Group to explore more opportunities to make profit from quality "Culture + Property" projects. The Group will cooperate with the PRC government and other property developers or investors to develop animation cultural and technology industry in different regions in the PRC. The Group will inject its industry resources with low capital investment in exchange for higher profit return from the projects.

Mortgages and Pledges

As at 31 March 2022, a bank deposit of the Group with a carrying value of approximately HK$3.7 million (31 March 2021: approximately HK$3.6 million) was pledged to a bank for banking facilities obtained.

Contingent Liabilities

The Group did not have significant contingent liabilities as at 31 March 2022 (31 March 2021: Nil).

Foreign Exchange Exposure

There has been no significant change in the Group's policy in terms of exchange rate risks. The Group's transactions are mainly denominated in Hong Kong dollars, Renminbi, Japanese Yen or US dollars. Management of the Group is closely monitoring foreign exchange risks and would consider the use of hedging instruments as and when appropriate.

Significant Events After the Reporting Period

Since April 2022, one of the major operating subsidiaries of the Group, Huajiatai (Shanghai) Indoor Playground Co., Ltd, has temporarily suspended operation due to city-wide lockdown and other social distancing measures implemented by the local government to control the outbreak of COVID-19 in Shanghai, PRC. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments correspondingly.

On 12 April 2022, the Company has entered into the Underwriting Agreement (supplemented by a Supplementary Underwriting Agreement on 10 May 2022 and a Second Supplementary Underwriting Agreement on 25 May 2022) with the underwriter, Raffaello Securities (HK) Limited, in respect of the proposed Rights Issue (the "**Rights Issue**") of 591,021,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing shares of the Company to raise gross proceed of approximately HK$82.38 million. On 20 June 2022, the underwriter has unilaterally terminated the underwriting agreements and the Rights Issue has been terminated accordingly. For details, please refer to the announcements of the Company dated 12 April 2022, 10 May 2022, 19 May 2022, 25 May 2022, 2 June 2022 and 23 June 2022.

Significant Events After the Reporting Period (Continued)

On 12 May 2022, a winding-up petition ("**Petition A**") was filed by Ms. WU Hanrong ("**Petitioner A**") with the High Court of the Hong Kong Special Administrative Region (the "**High Court of Hong Kong**") for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), in respect of an outstanding bond payable in aggregate sum, inclusive of accrued interest, of approximately HK$4,552,000. On 17 May 2022, the Company and Petitioner A have agreed on the settlement of the bond payable and Petitioner A would forthwith withdraw the Petition A voluntarily and discontinue legal proceeding against the Company. For details, please refer to the announcement of the Company dated 17 May 2022.

On 27 May 2022, a winding-up petition was filed by Maxx Capital Finance Limited ("**Petitioner B**") with the Court of First Instance of the High Court of the Hong Kong for winding up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") under Companies Winding-up Proceedings No. 190 of 2022 (the "**Winding-up Action**"), in relation to Petitioner B's claim for an outstanding debt in relation to secured guaranteed notes (the "**Notes**") in aggregate amount, inclusive of accrued interest, of approximately HK$22,892,000 (See Note 51(a)). For details, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022, 23 June 2022, 18 July 2022 and 21 July 2022.

Environmental Policy

The Group is committed to the protection of the environment. The Group adheres to the principle of recycling and energy saving. The Group has encouraged and motivated our staff to be environmentally friendly in the office including the use of recycled papers for printing and photocopying and reducing electricity consumption by switching off idle lighting and electrical appliances when they are not in use.

Employees and Remuneration Policies

As at 31 March 2022, the Group had 216 employees (31 March 2021: 284 employees). The decrease in number of staff was mainly due to optimising the staffing structure for JOYPOLIS during the year. For the year ended 31 March 2022, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK$85.2 million (31 March 2021: approximately HK$91.5 million). The decrease was mainly attributable to the decrease of approximately HK$6.3 million in employee remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. On 28 February 2022, 42,910,000 options have been granted to the eligible Directors, employees and a consultant pursuant to the share option scheme adopted by the Company on 16 February 2015.

Purchase, Sale or Redemption of Securities

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed "Capital Structure, Liquidity and Financial Resources" in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 March 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. CHONG Heung Chung Jason (莊向松), aged 53, is our founder, our executive Director and our Chief Executive Officer. Mr. CHONG was appointed as an executive Director on 20 November 2014. Mr. CHONG is also the Chairman of our Board. Mr. CHONG is primarily responsible for conducting the business of our Group and formulation of business and strategic development of our Group. Mr. CHONG has approximately 24 years of experience in the toy industry. Prior to establishing our Group, Mr. CHONG, together with a business partner, started the toy sales business in July 1996 through the acquisition of all issued share capital of Sino Action as a shelf company. During the period between July 1996 and March 2008, Mr. CHONG was a shareholder of Sino Action holding 50.0% of its shares in issue. Mr. CHONG sold all his equity interest in Sino Action in March 2008 in order to focus on the business development of China Animation BVI.

In May 2009, Mr. CHONG completed a part-time course of "Advanced Training Programme for Executives on Private Equity Investment Fund and Financing by way of Listing on Growth Enterprise Market" (私募股權投資基金和創業板上市融資總裁研修班) organised by Tsinghua University (清華大學). In March 2012, Mr. CHONG completed a part-time course of "Telaote Strategic Positioning" (特勞特戰略定位總裁班) organised by Peking University (北京大學).

Mr. CHONG was elected to serve as a representative of the People's Congress of Shenzhen City Committee (深圳市人民代表大會代表) from June 2015 to May 2020. Mr. CHONG has been the Vice President and Deputy Chairman of Shenzhen City Longgang District General Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區總商會(工商聯)), the Honorary President of eSports Association, Guangdong province, China (中國廣東省電競協會榮譽會長) Congress Executive Director of China Cultural Industry Association (中國文化產業協會常務理事), and the Enforcement Supervisor in the fourth term of the Municipal People's Procuratorate of Shenzhen City (深圳市人民檢院第四屆執法監督員). Mr. CHONG was appointed as the supervisor of the Buji Customs of Shenzhen (深圳布吉海關監督員) for the period between 1 September 2012 to 1 August 2014.

Mr. XIONG Hao (熊浩), aged 37, was appointed as an executive Director on 6 January 2022, has over 10 years of extensive experience in assets and investment management in asset management companies, listed companies and other financial institutions.

Mr. XIONG was the deputy general manager of Huarong (HK) International Holdings Limited from October 2014 to June 2016, and Mr. XIONG served as the executive director of Huarong International Financial Holdings Limited (Stock Code: 993), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from September 2015 to June 2016. Mr. XIONG was the president of Sunbase International (Holdings) Limited from July 2016 to December 2019, and he was the chief executive officer of TC Concord Securities Limited from January 2020 to June 2021. Mr. XIONG had also worked and taken management positions in a number of financial institutions, including YueXiu Asset Management Co., Limited and Cinda International Holdings Limited.

Mr. XIONG obtained a bachelor degree in Chemistry from Peking University in July 2006 and a doctor of philosophy in Chemistry from Hong Kong University of Science and Technology in November 2011.

Ms. LIU Moxiang (劉茉香), aged 47, was appointed as an executive Director on 20 November 2014. Ms. LIU joined Shenzhen Wald in June 2012. Ms. LIU is principally responsible for implementing our business plans and strategies. Prior to joining our Group, Ms. LIU worked in sales team of エイメツクストレイディング (Aimex Trading Co., Ltd.*) from April 2004 to July 2005. From October 2005 to June 2007, Ms. LIU worked for Walita Toys and Gifts Co., Ltd., Shenzhen as an assistant to the senior executives. Ms. LIU was the executive manager of Shenzhen Huaxia between June 2007 and June 2012. Ms. LIU graduated from 九江學院 (Jiujiang University*) (formerly known as 九江財經高等專科學校 (Jiujiang College of Finance and Economics*)) in July 1999 on international business. From October 1999 to March 2001, Ms. LIU attended Kobe YMCA Japanese Language School in Japan. Ms. LIU studied business administration in Kobe Gakuin University, Graduate School of Economics, in Japan from April 2002 to March 2004 and received a master degree of arts in business administration.

* *For identification purpose only*

Independent Non-Executive Directors

Mr. NI Zhenliang (倪振良), aged 76, was appointed as an independent non-executive Director on 20 November 2014. Mr. NI is currently the Chairman of the Hong Kong-Greater China Expert Calligraphy Association (香港大中華名家書畫會) and the Shenzhen Municipal Marketing Institute (深圳市市場學會) in the PRC. Mr. NI is also a member of the Federation of Hong Kong Writers (香港作家聯會) in Hong Kong. In April 1974, Mr. NI worked at the PRC State Education Commission (中華人民共和國國務院科教組), an agency of the PRC State Council. In May 1975, the PRC State Education Commission was renamed as the PRC Ministry of Education. Mr. NI worked as the editor, supervisor and officer of《人民教育》, a publication of the PRC Ministry of Education, until March 1994. From April 1994 to December 2003, Mr. NI held various senior positions in newspapers in Hong Kong and PRC, namely Executive Deputy Editor-in-chief of the publication of "General Affairs in the Society of Democracy and Legal System" (《民主與法制》) in the PRC, President of the Elderly Chinese Newspaper Society (《中華老年報社》) in the PRC, Deputy Editor-in-chief of Ta Kung Pao (大公報) in Hong Kong and Editor-in-chief of the online version of Wen Wei Po (文匯報) in Hong Kong. Mr. NI has also participated in a number of literary societies in the PRC. Mr. NI has been a council member of the Chinese Writers Association (中國作家協會) since 1988, the Chinese Jurists Society (中國法學會) since 1996, the Chinese Reportage Society (中國報告文學學會) since 1993, the Society of Chinese Literary Biography (中國傳記文學學會) since 1994, and the Association of Chinese Senior Professors (中國老教授協會) since 1994. In September 1993, Mr. NI was appointed as a professor by the Association of Chinese Senior Professors.

Mr. TSANG Wah Kwong (**曾華光**), aged 70, was appointed as an independent non-executive Director of the Company on 20 November 2014. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Investment Committee of the Company. Mr. TSANG is a former partner of PricewaterhouseCoopers in Hong Kong and China and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. TSANG received a bachelor's degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants.

Currently, Mr. TSANG is an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: China Merchants China Direct Investments Limited (stock code: 133), Sihuan Pharmaceutical Holdings Group Limited (stock code: 460), TK Group (Holdings) Limited (stock code: 2283) and Shirble Department Store Holdings (China) Limited (stock code: 312). Mr. Tsang is an independent director of HUYA Inc. (listed on the New York Stock Exchange, stock code: HUYA). Mr. TSANG was an independent director of Ping An Securities Group (Holdings) Limited (listed on the Hong Kong Stock Exchange, stock code: 231) from February 2016 to March 2020.

Mr. HUNG Muk Ming (洪木明), aged 57, was appointed as an independent non-executive Director on 20 November 2014.

Mr. HUNG has over 30 years of experience in auditing, finance and accounting. Since February 2017, Mr. HUNG has been the director of Hua Guan New Materials Company Limited (華冠新型材料股份有限公司), a subsidiary of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司). Before that he was the group financial controller of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. HUNG was the group financial controller of Hoi Meng Group (開明集團), a company engaging in garment design, manufacturing and export with production facilities in the PRC, Macau and Cambodia. From July 2001 to September 2002, Mr. HUNG worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. HUNG was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. HUNG was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. HUNG is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Holdings Group Limited (Stock code: 171), and an independent non-executive director, chairman of the audit committee and a member of nomination committee of IBO Technology Company Limited (Stock code: 2708), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. HUNG was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange. From June 2014 to September 2021, Mr. HUNG was an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Limited (Stock code: 1450), a company listed on the Stock Exchange.

Mr. HUNG received a bachelor's degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. HUNG obtained a master's degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. HUNG has been a fellow member of the Hong Kong Institute of Directors from November 2009 to July 2020, an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators) since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

Honourable Chairman

Mr. Shinichiro IKEDA (**池田慎一郎**), aged 64, is our Honorable Chairman advising us on our overall business directions and the strategic planning. Mr. IKEDA was appointed as our Honourable Chairman on 16 February 2015. Mr. IKEDA has approximately 29 years of experience in the toy merchandising and animation design and production industries in Japan. Mr. IKEDA is the chairman & CEO of IMA Group, the president of 株式會社ソル•インターナシヨナル (SOL International Inc.*), a company engaging in distribution of toy products in Japan, the president of 株式會社スタジオディーン (Studio Deen Inc.*), a company engaging in animation production and other related business activities, the director of 一般財團法人日本漫畫事務局八月十五日の會 (Japanese Cartoon (manga) Office 8.15*), an general incorporated foundation run by comics artists in Japan, voluntarily actives for world peace, and the Chairman of Suzhou Deen Animation Co., Ltd (蘇州丹尼動畫有限公司). Mr. IKEDA graduated from Dokkyo University, Japan with a bachelor's degree in law in March 1983.

Senior Management

Mr. LUK Sik Tat (陸適達), aged 47, is our finance manager and our company secretary. Mr. LUK joined us on 21 June 2012. Mr. LUK is responsible for the accounting and financial management of our Group. Mr. LUK has approximately 23 years of experience in accounting and finance. During the period between November 2008 and May 2012, Mr. LUK served as a supervisor in financial reporting with MIQ Logistics Hong Kong Limited, a provider of global, transportation and distribution services and a former subsidiary of YRC Worldwide, an assistant manager at Crowe Horwath (HK) CPA Limited (formerly known as CCIF CPA Limited) from November 2006 to November 2008, an audit senior at Wong Lam Leung & Kwok C.P.A. Limited from March 2004 to July 2006, an audit semi-senior and audit senior at K.W. Tam & Co. from September 2000 to January 2003 and from February 2003 to February 2004, respectively, an auditor II at K. L. Wong & Co. from April 1999 to May 2000 and an audit junior at Tai, Kong & Co. from June 1997 to December 1998.

Mr. LUK graduated from the City University of Hong Kong with a bachelor's degree of arts in accountancy in 1997. Mr. LUK has been a fellow member of the Hong Kong Society of Accountants since July 2013 and a fellow member of the Association of Chartered Certified Accountants since July 2008.

Mr. ZHAN Zhengli (詹正禮), aged 52, is our production management and control manager. Mr. ZHAN joined us on 1 July 2012. Mr. ZHAN is responsible for product management and control of our Group. Mr ZHAN has relevant experience in production management. Before joining us, Mr. ZHAN worked at Wah Shing and was responsible for the operation of production systems during the period between May 2004 and June 2012.

Mr. ZHAN graduated from 杭州大學 (Hangzhou University) with a bachelor's degree in business management in July 1990.

Mr. TING Ka Fai Jeffrey (丁家輝), aged 57, was appointed as an executive Director on 20 November 2014 and resigned on 15 June 2022. Mr. TING is our Chief Operating Officer. Mr. TING joined our Group in January 2014, before which Mr. TING worked for Wah Shing during the period between 2008 and 2013 primarily on overseeing the production of the toy products by Wah Shing for Sino Action/China Animation BVI. Mr. TING is principally responsible for overseeing our daily business operations including the sales and the production activities and the implementation of our business plans. Mr. TING has approximately six years of experience in the merchandising industry. Before joining our Group and Wah Shing, Mr. TING was the deputy general manager with Tohki Enterprise Co., a furniture manufacturer, from 1 September 1992 to 31 July 1998. Mr. TING obtained the degree of bachelor of arts from the University of Western Australia in March 1991.

CORPORATE GOVERNANCE REPORT

CA CULTURAL TECHNOLOGY GROUP LIMITED (the "**Company**") is committed to maintain a high standard of corporate governance. The board of directors of the Company (the "**Board**") and management maintain and enhance the policies and practices of the Company on a timely, transparent, effective and reasonable manner, so as to maintain good, solid and reasonable corporate governance. The Company believes that good corporate governance is not only in the interest of shareholders and investors but also in the interest of the Company. The Company will continue to raise the standard to formalize the best practice of corporate governance as far as we could.

Corporate Governance Code

The Company has complied with the principles and applicable code provisions ("**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except code provision A.2.1 as more particularly described in the following paragraphs during the year ended 31 March 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Listing Rule as its own conduct regarding securities transaction by Director of the Company. Having made specific enquiries with the directors of the Company ("**Directors**"), all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2022.

The Company has adopted a dividend policy which sets out the basic principles in determining the distribution of the dividends to the Shareholders (the "**Dividend Policy**").

In proposing any dividend payout, the Board shall take into account, inter alia:

(i) the Company and its subsidiaries' (collectively, the "**Group**") actual and expected financial performance;

(ii) Shareholders' interests;

(iii) general business conditions and strategies;

(iv) retained earnings and distributable reserves of the Company and each of the other member(s) of the Group;

(v) the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject to;

(vi) any contractual restrictions on payment of dividends by the Company to its Shareholders or by the Company's subsidiaries to the Company;

(vii) the Group's expected working capital requirements and future expansion plans;

(viii) liquidity position and future commitments at the time of declaration of dividend;

(ix) taxation considerations;

(x) possible effects on the Group's creditworthiness;

(xi) statutory and regulatory restrictions;

(xii) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(xiii) other factors that the Board deems appropriate.

Except in the case of interim dividends to be paid out of profit, dividends declared by the Company must be approved by an ordinary resolution of the Shareholders and must not exceed the amount recommended by the Board.

CORPORATE GOVERNANCE REPORT

Board of Directors

Composition

The Board comprises six Directors, including three executive Directors, Mr. CHONG Heung Chung Jason (the Chairman and Chief Executive Officer of the Company), Mr. XIONG Hao and Ms. LIU Moxiang; and three independent non-executive Directors, Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming. There was no change in the composition of the Board during the year ended 31 March 2022. The biographical details of the Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

Responsibilities of the Board and Management

The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objectives of the Group.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) To review the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.

During the year ended 31 March 2022, the Board had reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the nomination committee, the remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

Board of Directors (Continued)

Responsibilities of the Board and Management (Continued)

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of financial position and financial performance of the Group. The financial statements set out on pages 53 to 166 were prepared on the basis set out in Note 3 to the financial statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the financial statements is set out in the Independent Auditors' Report on pages 50 to 52.

The Board has balance of skills, knowledge and experience appropriate for the requirements of the business and to complement the Company's corporate strategy. The Board membership is covered by professionally qualified and widely experienced personnel to bring in valuable contributions and different professional advices and consultancy for development of the Company. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring the board procedures, and all applicable rules and regulations are followed. The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operating initiatives.

The Board, led by the Chairman, is responsible for formulating overall strategy and polices, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving financial accounts, approving annual budget, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's day-to-day operations is the responsibility of the management of the Group (the "**Management**") such as implementing internal control, business strategies and plans set by the Board, etc.. When the Board delegates certain aspects of its management and administration functions to the Management, it has given clear directions as to the powers of the Management.

Continuous Professional Development

During the year ended 31 March 2022, all Directors have been given relevant guideline materials and attended training course and seminar regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange and/or fund the training in accordance with the Code Provisions.

The Company has arranged appropriate directors and officers liability insurance cover in respect of legal actions against the Directors.

Independent non-executive Directors

During the year ended 31 March 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

Roles of Chairman and Chief Executive Officer

The position of the Chairman and the Chief Executive Officer of the Company are held by Mr. CHONG Heung Chung Jason. The Code provision A.2.1 of the Corporate Governance Code in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. CHONG is Chairman of the Board and the Chief Executive Officer. As Mr. CHONG is the founder of the Group and has extensive experience in corporate operations and management, the Directors believe that it is in the best interest of the Group to have Mr. CHONG taking up both roles for effective management and business development.

The Chairman of the Company, Mr. CHONG, takes up the role of providing leadership for the Board and ensures that the Board works effectively and discharges its responsibility properly. With the support of executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner. Mr. CHONG also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

Mr. CHONG, also as the Chief Executive Officer of the Group, is responsible for managing overall daily operations of the Group, the implementation of the Group's development strategies and plans and to perform other responsibilities as assigned by the Board.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Article of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Directors has signed a letter of appointment with the Company. Such term is for an initial term of three years for the executive Directors commencing from the Listing Date and three years for the independent non-executive Directors commencing from 20 November 2014, subject to re-election.

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Appointment, Re-election and Removal of Directors (Continued)

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. CHONG Heung Chung Jason and Mr. NI Zhenliang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee will recommend to the Board for the selection, appointment and re-appointment of Director(s) in accordance with the following procedures and process:

(i) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(ii) The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third-party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:

  (a) Diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

  (b) Commitment for responsibilities of the Board in respect of available time and relevant interest (details of the Board Diversity Policy set out above);

  (c) Qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the business(es) of the Company and its subsidiaries is/are involved;

  (d) Independence (for independent non-executive Directors);

  (e) Reputation for integrity;

  (f) Potential contributions that the individual can bring to the Board; and

  (g) Plan(s) in place for the orderly succession of the Board;

(iii) The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(iv) The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;

(v) Promptly after considering a candidate's suitability for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(vi) The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

(vii) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;

Appointment, Re-election and Removal of Directors (Continued)

(viii) The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

(ix) All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

Board Meetings

The Board meets regularly, and at least four times a year, additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

During the year ended 31 March 2022, the Board held fourteen meetings. Due notice and board papers were given to all Directors prior to the board meetings in accordance with the CG Code.

In addition, the Chairman and non-executive Directors including the independent non-executive Directors meet at least once every year without the presence of executive Directors.

At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

Meetings Held During the Year Ended 31 March 2022

Details of the Directors' attendance at Board meetings and Board committee meetings, held during the year ended 31 March 2022 and the annual general meeting held on 2 September 2021 ("**AGM**") are set out as below:

	Attended/Eligible to attend				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	AGM
Number of Meetings Held	14	2	2	2	1
Executive Directors					
Mr. CHONG Heung Chung Jason	14/14	–	2/2	–	1/1
Mr. TING Ka Fai Jeffrey	14/14	–	–	2/2	1/1
Ms. LIU Moxiang	14/14	–	–	–	1/1
Independent Non-executive Directors					
Mr. NI Zhenliang	14/14	2/2	2/2	–	1/1
Mr. TSANG Wah Kwong	14/14	2/2	–	2/2	1/1
Mr. HUNG Muk Ming	14/14	2/2	2/2	2/2	1/1

Board Committees

The Board has established four committees, including audit committee, remuneration committee, nomination committee and investment committee, for overseeing particular aspects of the Company's affairs and to strengthen its functions and to enhance its expertise. All committees have been formed with specific written terms of reference which deals clearly with the respective committees' authorities and duties. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Remuneration Committee comprises two members including two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. TSANG Wah Kwong. It is chaired by Mr. HUNG.

The major roles and functions of the Remuneration Committee are as follows:

(a) To make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) To make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); and

(d) To make recommendations to the Board on the remuneration of non-executive directors.

During the year ended 31 March 2022, two Remuneration Committee meetings were held and there was no change in the policy and structure of the remuneration of the Directors and senior management. From the date onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The remuneration package of executive Directors is determined by reference to their duties and responsibilities, experience and the prevailing market conditions. The remuneration package of individual executive Directors includes salary, discretionary bonus and share based payment. Details of the Directors' fee and other emoluments of the Directors of the Company are set out in Note 12 to the financial statements.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 of the Listing Rules. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Nomination Committee comprises three members including one executive Director, namely Mr. CHONG Heung Chung Jason and two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. CHONG, the Chairman of the Board.

Board Committees (Continued)

Nomination Committee (Continued)

In November 2014, the Company adopted the Board Diversity Policy in accordance with the requirement set out in the code provision of the Code. Such policy sets out the approach to achieve diversity on Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The major roles and functions of the Nomination Committee are as follows:

(a) To review the structure, size and composition (board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

(c) To review the Board Diversity Policy, as appropriate, and disclose the Board Diversity Policy or its summary in the corporate governance report of the Company including the measurable objectives set for implementing the Board Diversity Policy and progress made towards achieving these measurable objectives;

(d) To assess the independence of independent non-executive directors; and

(e) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive.

All candidates must be able to meet the standards as set forth in Rule 3.08 and Rule 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

Two Nomination Committee meetings were held during the year ended 31 March 2022. From the date onwards, the Nomination Committee will conduct meeting at least once a year.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

As at the date of this report, Audit Committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. TSANG Wah Kwong who holds appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Board Committees (Continued)

Audit Committee (Continued)

The major roles and functions of the Audit Committee are as follows:

(a) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) To monitor integrity of the Company's financial statements and to review significant financial reporting judgements contained in them;

(c) To review the Company's financial controls, internal control and risk management systems; and

(d) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

During the year ended 31 March 2022, two audit committee meetings were held.

As at the date of this annual report, the Audit Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the financial results for the year ended 31 March 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee held a meeting with the external auditors on 26 September 2022 to (i) review the consolidated financial statements for the year ended 31 March 2022; (ii) discuss the internal control and financial reporting matters of the Group; (iii) review the consolidated financial statements and the auditor's report and recommend to the board for approval. All members of the committee attended that meeting. From the date onwards, the Audit Committee will meet at least twice a year to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditor.

During the period from the Listing Date to the date of this annual report, the Board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of an external auditor.

Investment Committee

The Company established an investment committee pursuant to a resolution of the Directors passed on 20 November 2014. The written terms of reference of the investment committee are available on the websites of the Company.

As at the date of this report, Investment Committee consists of three Directors, namely Mr. CHONG Heung Chung Jason, Ms. LIU Moxiang, Mr. TSANG Wah Kwong, and one senior management, Mr. WONG Yee Shuen Wilson. It is chaired by Mr. CHONG Heung Chung Jason.

The major roles and functions of the Investment Committee are as follows:

(a) To consider the investment and business decisions of the Group;

(b) To make recommendations to our Board in respect of the major investment projects of the Group, such as the establishment of new JOYPOLIS in China; and

(c) To monitor the performance of the Group for compliance with the investment policies and guidelines.

During the year ended 31 March 2022, no investment committee meeting was held.

Auditor's Remuneration

The fees charged by the auditor generally depends on the scope and volume of the auditor's work. During the year ended 31 March 2022, the remuneration paid or payable to the Company's external auditor related to audit services and other non-audit services amounted to approximately HK$2,500,000 and Nil respectively.

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing the financial statements of each financial period, which shall give a true and fair view of the financial position of the Group and of the financial performance and cash flows for that year.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

The Directors acknowledge the responsibilities for preparing the accounts of the Company.

The relevant responsibility statement of the auditor of the Company with respect to the financial statements of the Group is set out in the Independent Auditor's Report on pages 50 to 52.

Risk management and Internal Control

Risk management

The Company established an inter-departmental ERM working group internally to carry out the relevant work and systematically established a risk management framework to incorporate risk management into enterprise management and business operation. It has also established a two-tier risk management structure model:

As the first tier of the Company's risk management system, each department is responsible for performing daily management process, implementing management system and incorporating means of risk management and internal control into daily operation; studying and proposing the criteria and mechanism for significant departmental decision-making, material events and important operation process; studying and indicating risks of significant departmental decision-making while taking precautions; effectively managing various risks incurred during the course of operation and management.

The audit committee of the Company will be responsible for the management of the effectiveness of risk management and gaining full understanding and making decisions for the Company's risk management. As the second tier of the Company's risk management system, the audit committee is at the top tier of the risk management and governance structure, mainly responsible for ensuring the implementation of risk management, procuring inspection of events with potential risks, ensuring effective implementation of risk management system, supervising and examining tasks relating to risk management regularly, formulating a report on risk management and promoting an effective company-wide risk management and internal control system.

Risk management and Internal Control (Continued)

Risk management (Continued)

On top of its established internal control system, the Company will continuously deepen its risk management efforts by establishing a system for assessing any possible systematic risks caused by changes in external environment and force majeure. Based on the risk assessment, the Company will identify risk prevention and response to prevent and respond to any possible risks. With respect to the unsystematic risks during the course of operation and management, the Company will establish a normalized process for risk control, risk reporting, risk response and risk management evaluation. Through the aforesaid enhanced measures and means of internal control system and risk management, the possibility of occurrence of risk events can be lowered.

As at the reporting date, the Company has established a comprehensive risk management system, and incorporated risk identification, risk assessment and risk response into daily operation. In consideration of current major risks faced by the Company and the corresponding response plan, the Company is capable of responding to the challenges brought by its own operation and external environment.

Internal Control

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

The Board engaged a professional consulting firm to perform internal control review to assess the effectiveness of the financial, operational and compliance controls and risk management functions of the Company and the Group's major subsidiaries on a rotation basis.

At the meeting of the Audit Committee held on 30 June 2022, the professional consulting firm reported their review work for the year ended 31 March 2022 performed in accordance with the detailed risk-based internal control review plan which was approved by the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 March 2022. The Audit Committee members, together with the senior management, have also reviewed, considered and discussed all findings relating to the internal control systems and recommendations for improvement.

The Audit Committee also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

Company Secretary

The Company Secretary of the Company is Mr. LUK Sik Tat, who is also the finance manager of the Company. Mr. Luk is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Society of Accountants. He fulfills the requirements under Rules 3.28 and 3.29 of the Listing Rules.

The Company Secretary is responsible for providing secretarial services to the Board and ensuring the operation of the Company is properly complied with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

All Directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. Company Secretary is also the secretary of each of Board committees. Minutes of Board meetings and meetings of all Board committees are kept by the Company Secretary and are available for inspection by the Directors at all times.

For the year ended 31 March 2022, the company secretary complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

Shareholders' Rights

Right to Convene an Extraordinary General Meeting

Pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the Company's paid-up capital at the end of deposit of requisition and having the right to vote at general meetings can submit a requisition to convene an Extraordinary General Meeting ("**EGM**").

Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Suites 2905, 29/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

All resolutions put forward at an EGM will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the EGM can appoint proxies to attend and vote at the general meeting. The Chairman of the EGM will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the EGM.

Communications with Shareholders

The Board is obliged to provide regular, effective and fair communication with the shareholders and the investors of the Company. Latest information is conveyed to the Shareholders and the investors of the Company on a timely basis.

The Company uses a range of communication tools to ensure the Shareholders and the investors are kept well informed of key business imperatives.

Disclosure of Information

Information shall be communicated to Shareholders and the investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and its corporate communications and other corporate publications on the Hong Kong Stock Exchange's website and the Company's website.

Communications with Shareholders (Continued)

General Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Shareholders' views on matters that affect the Company are welcome by the Board at shareholders' meetings. Shareholders of the Company are notified of shareholders' meetings through notices and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. A separate resolution is proposed by the chairman of the meetings in respect of each separate issue, including the re-election of Directors.

The Chairman of the Board and Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee or failing him, his duly appointed delegate, are available at the annual general meeting to answer questions with regard to the work of these committees.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Hong Kong Stock Exchange on the same day of the poll.

Investor Relations

The Company maintains a website www.animatechina.com where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for shareholders to propose a person for election as a director, announcements, circulars and reports, etc. released to the Hong Kong Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

A dedicated email address acti@animatechina.com for investor enquiry is set out in the "Contact Us" section on the Company's website.

Constitutional Documents

There was no significant change in the Company's constitutional documents during the year ended 31 March 2022 and up to the date of this annual report.

REPORT OF THE DIRECTORS

The directors (the "**Directors**") of the Company are pleased to present their annual report together with the audited financial statements for the year ended 31 March 2022.

Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries are set forth in Note 48 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set forth in Note 5 to the consolidated financial statements.

Use of Proceeds From the Global Offering

The Company has received net proceeds of approximately HK$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As of 31 March 2022, approximately HK$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licensed bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds		Actual utilised as of 31 March 2022	Unutilised as of 31 March 2022
	%	HK$ million	HK$ million	HK$ million
For the capital expenditure and the working capital for the Shanghai *JOYPOLIS* and for use in planning the next *JOYPOLIS*	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	21.5	64.3	45.7	18.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	16.6	49.5	49.5	–
Repayment of bonds, interests and related expenses	1.9	5.7	5.7	–
Total	**100.0**	**298.6**	**280.0**	**18.6**

The future plans and prospects as stated in the prospectus (the "**Prospectus**") of the Company dated 28 February 2015 were based on the Group's reasonable assessment of the future market conditions according to the information available at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of any material change to the planned use of the net proceeds from the plan as stated in the Prospectus. The unused net proceeds have been placed as bank deposits.

Results and Appropriations

The financial performance of the Group for the year ended 31 March 2022 and the financial position of the Group as of 31 March 2022 are set forth in the consolidated financial statements on pages 53 to 55.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set forth on pages 167 to 168. This summary does not form part of the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 56 of this annual report and Note 50 to the consolidated financial statements, respectively.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, calculated with the Companies Law of the Cayman Islands, the Company's distributable reserves as of 31 March 2022 amounted to approximately HK$49.5 million.

Property, Plant and Equipment

Details of the movements in properties, plant and equipment of the Group are set forth in Note 15 to the consolidated financial statements.

Share Capital

Details of the authorised and issued share capital of the Company are set forth in Note 40 to the consolidated financial statements.

Subsidiaries

Details of the major subsidiaries of the Company are set forth in Note 48 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

The Company has not redeemed any of its shares during the year. During the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year.

Share Option Scheme

The Company's existing share option scheme was approved for adoption in the general meeting held on 16 February 2016 for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

Details of the Company's share option scheme are set out in Note 47 to the consolidated financial statements and the principal terms of the share option scheme are extracted as follows:

Purpose

The purpose is to give the Eligible Persons (as described below) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Share Option Scheme (Continued)

Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set forth in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group ("**Employee**");

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "**Eligible Persons**")

Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10.0 per cent. of our Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**") provided that:

(a) The Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10 per cent. of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(b) The Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

Share Option Scheme (Continued)

Maximum number of Options to each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds one per cent. of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0 per cent of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in our Shares on the Stock Exchange or an integral multiple thereof).

Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

Share Option Scheme (Continued)

Subscription price

The subscription price of a Share in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

Exercise of Options

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set forth in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of our Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company.

Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Transferability of Options

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

Directors' Right to Acquire Shares or Debentures

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. CHONG Heung Chung Jason *(Chairman and Chief Executive Officer)*
Mr. TING Ka Fai Jeffrey (resigned on 15 June 2022)
Ms. LIU Moxiang
Mr. XIONG Hao (appointed on 6 January 2022)

Independent Non-Executive Directors

Mr. NI Zhenliang
Mr. TSANG Wah Kwong
Mr. HUNG Muk Ming

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. CHONG Heung Chung Jason and Mr. NI Zhenliang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of them are independent.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set forth in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Service Contract

None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed in this annual report, there was no other contract of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries during the year.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 March 2022 are set forth in Note 46 to the consolidated financial statements of this annual report.

For those related party transactions or those continuing related party transactions (as the case may be) falling under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules, please refer to the details set forth in the section headed "Continuing Connected Transaction" and "Exempt Continuing Connected Transactions" of this annual report.

Directors' Interests in Competing Business

During the year, save as disclosed in the Prospectus, none of the Directors and their respective associates has an interest in any business which competes or may compete with the business in which the Group engaged.

Directors' Interests and Short Positions in the Shares, Underlying Shares or Debentures

As of 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were set forth below:

Long positions in the shares and underlying share of the Company

Name of Directors	Capacity/nature of interest	Name of the controlled corporations	Name of Company	Number of shares	Approximate percentage of shares in issue
CHONG Heung Chung Jason	Interest of controlled corporation (Note 1)	Bright Rise Enterprises Limited	Company	182,799,000 (L)	15.46%
	Interest in persons acting in concert (Note 2)	–	Company	296,495,000 (L)	25.08%
	Spouse interest (Note 3)	–	Company	296,495,000 (L)	25.08%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville Glory Limited	Company	12,900,000 (L)	1.09%
	Interest in persons acting in concert (Note 2)	–	Company	296,495,000 (L)	25.08%

Notes:

1. All issued shares of Bright Rise Enterprises Limited are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. CHONG Heung Chung Jason on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family members.

2. Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders-Summary of the Concert Party Agreement" in the Prospectus.

3. Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason. Mr. CHONG Heung Chung Jason is deemed to be interested in our shares interested by Ms. LEE Sui Fong Fiona under the SFO.

4. All issued shares of Bonville Glory Limited are held by Mr. TING Ka Fai Jeffrey.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As of 31 March 2022, the following persons or corporations, other than the Directors or chief executive of the Company, had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Long position	Bright Rise Enterprises Limited	Beneficial owner	182,799,000	15.46
		Interest in persons acting in concert(1)	296,495,000	25.08
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason	Interest in a controlled corporation(2)	182,799,000	15.46
		Interest in persons acting in concert(1)	296,495,000	25.08
	Mr. CHONG, Ms. LEE Sui Fong Fiona and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation(2)	182,799,000	15.46
		Interest in persons acting in concert(1)	296,495,000	25.08
	Fortress Strength Limited	Beneficial owner	26,187,000	2.22
		Interest in persons acting in concert(1)	296,495,000	25.08
	Ms. LEE Sui Fong Fiona	Interest in a controlled corporation(3)	26,187,000	2.22
		Interest in persons acting in concert(1)	296,495,000	25.08
		Spouse interest(4)	296,495,000	25.08
	Dragon Year Group Limited	Beneficial owner	50,280,000	4.25
		Interest in persons acting in concert(1)	296,495,000	25.08
	Mr. Shinichiro IKEDA	Interest in a controlled corporation(5)	50,280,000	4.25
		Personal interest	12,000,000	1.02
		Interest in persons acting in concert(1)	296,495,000	25.08

Substantial Shareholders (Continued)

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
	Bonville Glory Limited	Beneficial owner	12,900,000	1.09
		Interest in persons acting in concert(1)	296,495,000	25.08
	Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation(6)	12,900,000	1.09
		Interest in persons acting in concert(1)	296,495,000	25.08
	East Jumbo Development Limited	Beneficial owner	12,329,000	1.04
		Interest in persons acting in concert(1)	296,495,000	25.08
	Ms. OR Den Fung Bonnie	Interest in a controlled corporation(7)	12,329,000	1.04
		Interest in persons acting in concert(1)	296,495,000	25.08
Short position	Nil	Nil	Nil	Nil

Notes:

(1) Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders-Summary of Concert Party Agreement" in the Prospectus.

(2) Newgate (PTC) Limited is the sole shareholder of Bright Rise Enterprises Limited and it holds all the shares of Bright Rise Enterprises Limited in its capacity as the trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family member. Bright Rise Enterprises Limited is the registered and beneficial owner of 182,799,000 Shares.

(3) Ms. LEE Sui Fong Fiona is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 26,187,000 Shares.

(4) Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason and she is deemed to be interested in our shares interested by Mr. CHONG Heung Chung Jason under the SFO.

(5) Mr. Shinichiro IKEDA is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 50,280,000 shares of the Company.

(6) Mr. TING Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 shares of the Company.

(7) Ms. OR Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 shares of the Company.

Substantial Shareholders (Continued)

Save as disclosed above, as of 31 March 2022, the Directors were not aware of any persons or corporations, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Deed of Non-Competition

As disclosed in the Prospectus, each of the executive Directors and the substantial shareholders of the Company (the "**Substantial Shareholders**"), namely, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited, (collectively the "**Covenantors**"), has entered into the Deed of Non-Competition in favour of the Company, pursuant to which each of the Covenantors has undertaken to the Company that each of the Covenantors would not and would procure that their associates (except any members of the Group) would not, during the period that the Deed of Non-Competition remains effective, directly or indirectly, either on such Covenantor's own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time.

The Company has received an annual written confirmation from each of the executive Directors and the Substantial Shareholders in respect of the compliance with the Deed of Non-Competition for the year ended 31 March 2022.

Based on the information and confirmation provided by or obtained from each of the executive Directors and the Substantial Shareholders, all the independent non-executive directors reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 March 2022 and believed that each of the executive Directors and the Substantial Shareholders had fully complied with the Deed of Non-Competition.

Continuing Connected Transaction

On 31 December 2016, Sega Holdings Co., Ltd. ("**SEGA Holdings**") and CA Sega Joypolis Ltd. ("**CA Sega**", formerly known as Sega Live Creation Inc.) entered into a trademark licence agreement pursuant to which SEGA Holdings (as licensor) agreed to grant to CA Sega a non-transferable and non-exclusive right to use and sublicense certain registered trademarks owned by SEGA Holdings for a term commencing from 1 January 2017 for an initial period of five years. The trademark licence agreement may be renewed for another five years subject to negotiations and agreements between the parties after expiry of the original term in full compliance with the applicable requirements under the Listing Rules. The annual caps, being the maximum aggregate amount of royalties payable by CA Sega to SEGA Holdings under the trademark licence agreement is JPY208,673,000 (equivalent to HK$13,838,000) for the year ended 31 March 2022. The aggregate amount of royalties payable by CA Sega to SEGA Holdings amount to JPY16,815,000 (equivalent to approximately HK$1,191,000) for the year ended 31 March 2022.

Continuing Connected Transaction (Continued)

As Sega Sammy Holding Inc., ("**SEGA SAMMY**") holds 14.9% equity interest in the CA Sega Shares, SEGA Holdings, being a wholly-owned subsidiary of SEGA SAMMY, is a connected person at the subsidiary level (as defined under Chapter 14A of the Listing Rules) of the Company. Accordingly, the transaction contemplated under the trademark licence agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

For detailed terms of the trademarks licence agreement, please refer to the Company's announcement dated 3 January 2017.

Pursuant to Rule 14A.55 of the Listing Rule, the independent non-executive Directors of the Company have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transaction for the year ended 31 March 2022 (i) has received the approval of the Board; (ii) has been entered into in accordance with the relevant pricing policies of the Group; (iii) has been entered into in accordance with the relevant agreement governing the transaction; and (iv) has not exceeded the annual cap disclosed in the Company's announcement dated 3 January 2017. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Exempt Continuing Connected Transactions

The companies now comprising the Group have had entered into a number of transactions with Mr. CHONG, a party who, upon the Listing, became a connected person of the Company under the Listing Rules.

Lease of premises

The Group leases premises from Mr. CHONG. The premises include selected floors of the buildings 9 and 10, China Animation Creative Industry Park, Youyi Road, Longcheng Street, Longgang District, Shenzhen, the PRC, and are currently used by us as our offices and research and development centre in Shenzhen. As the premises and all other buildings comprising the industry park are structures with no property ownership certificates granted to Mr. CHONG, 深圳市龍崗區龍城街道處理歷史遺留違法建築領導小組辦公室 (The Office of the Leadership Group in Handling Historical Unauthorised Structures in the area of Longcheng Street, Longgang District, Shenzhen City*) has issued a reply, upon the request of Mr. CHONG, confirming that the registered name of the premises has been changed to Mr. CHONG.

Exempted Continuing Connected Transactions (Continued)

Lease of premises (Continued)

The table below sets forth (1) the term of the lease agreements entered into between us and Mr. CHONG and (2) the annual rent paid by us to Mr. CHONG for the year ended 31 March 2022:

Lessor	Lessee	Date of lease	Term	Properties	Usage	Gross floor area (m^2)	Annual rental (RMB'000)	Historical transaction amount Year ended 31 March 2022	2021
Mr. CHONG	Shenzhen Wald	1 August 2020	1 August 2020 to 31 March 2023	5th Floor of Building No. 10 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	1,350	194.4	(RMB'000) 194.4 (HK$'000) 235.0	 129.6 147.5
Mr. CHONG	Shenzhen Wald	1 April 2019	1 April 2019 to 31 July 2020 (early terminated)	1st, 2nd, 3rd and 5th Floor of Building No. 9 and 10 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	2,622	377.6	(RMB'000) – (HK$'000) –	 125.9 143.3
Mr. CHONG	Shenzhen Wald	1 April 2019	1 April 2019 to 31 July 2020 (early terminated)	1st, 2nd, 3rd and 5th Floor of Buildings No.9 and No. 10, China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	10,800	1,555.2	(RMB'000) – (HK$'000) –	 518.4 589.9
Mr. CHONG	Shenzhen Huacheng	26 March 2018	1 April 2018 to 31 July 2020 (early terminated)	3rd Floor of Building No. 5 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and warehouse	1,020	146.8	(RMB'000) – (HK$'000) –	 49.0 55.7
							Total:	**(RMB'000)** **194.4**	 **822.9**
							Total:	**(HK$'000)** **235.0**	 **936.4**

As shown in the table above, the annual rent payable to Mr. CHONG is within the de minimis threshold as set forth in Rule 14A.76 of the Listing Rules. As such, the transactions are exempted from the reporting, announcement requirements and the independent Shareholders' approval requirements. The Directors, including the independent non-executive Directors, confirm that the lease agreements are entered into on normal commercial terms and in the interest of the Shareholders as a whole.

The Directors confirm that the annual rent payable under the relevant lease agreements between us and Mr. CHONG is determined with reference to an independent valuation taking into consideration the prevailing market conditions and rent level of similar types of properties in the vicinity. The independent valuer has confirmed that the annual rent is consistent with the prevailing market rates as of the date of the relevant agreements. On this basis, the Directors confirm that the premises under each of the lease agreements in this section are leased on normal commercial terms and the rental level payable under each of these lease agreements are at market level and are fair and reasonable.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	100%
– five largest suppliers combined	100%

Sales

– the largest customer	21%
– five largest customers combined	54%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Corporate Governance Code

Details of the Group's compliance with corporate governance code of the Company are set forth in the "CORPORATE GOVERNANCE REPORT" on pages 23 to 35 in this annual report.

Audit Committee

The audit committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company.

The annual results have been reviewed by the audit committee of the Company.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required under the Listing Rules for the year ended 31 March 2022 and up to the date of this report.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, directors of the Company.

Annual General Meeting

The annual general meeting will be held on 1 November 2022. Shareholders should refer to details regarding the annual general meeting in the circular of the Company and the notice of meeting and form of proxy accompanying thereto.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. KTC Partners CPA Limited as auditor of the Company.

By Order of the Board

Chong Heung Chung Jason
Chairman

Hong Kong, 26 September 2022

INDEPENDENT AUDITOR'S REPORT

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE MEMBERS OF CA CULTURAL TECHNOLOGY GROUP LIMITED
華夏文化科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of CA Cultural Technology Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 53 to 166, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As set out in Note 3.1 to the consolidated financial statements, the Group recorded a net loss of approximately HK$1,060,466,000 for the year ended 31 March 2022, and, as at 31 March 2022, the Group recorded net current liabilities of approximately HK$242,968,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK$617,553,000, out of which approximately HK$441,015,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to approximately HK$20,955,000 only as at 31 March 2022.

During the year ended 31 March 2022 and up to the date of this report, the Group also has defaulted on repayment of certain bonds payable and a guaranteed note of approximately HK$128,300,000 and HK$20,000,000 respectively which were included as part of current liabilities as at 31 March 2022. Interest payable of approximately HK$14,160,000 was also in default. In addition, a winding-up petition was lodged with the High Court of Hong Kong by a guaranteed note holder (the "**Holder**") in pursuit of the outstanding debts owed to the Holder. Also, the Group received several demand letters and statutory demands from bondholders in relation to the overdue payments of the bonds' principals and related interest, details of which are set out in Notes 33, 36 and 51 to the consolidated financial statements.

These conditions, together with other matters set out in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in Note 3.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures can be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis for Disclaimer of Opinion (Continued)

Material uncertainties relating to going concern (Continued)

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, including whether:

(i) the debt restructuring of the Group's bonds payables will be successfully completed;

(ii) the winding-up petition will be successfully dismissed;

(iii) additional new sources of financing as and when needed will be successfully obtained;

(iv) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented;

(v) the Group's certain non-core assets will be successfully disposed of; and

(vi) relationship with the Group's existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because the Group is lacking in detailed analysis provided by management in relation to its plans and measures which involve future actions in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditors' report. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number P04686

Hong Kong, 26 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**453,136**	478,309
Cost of sales and services		**(390,410)**	(310,609)
Gross profit		**62,726**	167,700
Other income	6	**10,559**	8,370
Other gains and losses	7	**(8,154)**	52,558
Selling and distribution expenses		**(14,954)**	(12,895)
Administrative expenses		**(180,067)**	(87,020)
Research and development expenses		**(11,678)**	(10,807)
Share of (loss)/profit of a joint venture	20	**(18,930)**	8,709
Share of (loss)/profit of associates	19	**(112,351)**	8,773
Finance costs	8	**(80,638)**	(88,659)
Impairment loss on investment in a joint venture	20	**(2,156)**	–
Impairment loss on property, plant and equipment	15	**(69,589)**	–
Impairment loss on right-of-use assets	16	**(20,566)**	–
Impairment loss on intangible assets	18	**(96,051)**	–
(Impairment loss)/reversal of impairment loss under expected credit loss model, net of reversal	9	**(537,296)**	5,227
(Loss)/profit before taxation		**(1,079,145)**	51,956
Taxation	10	**18,679**	19,026
(Loss)/profit for the year	11	**(1,060,466)**	70,982
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		**(1,368)**	(1,124)
Fair value (loss)/gain on financial assets at fair value through other comprehensive income			
– investment in equity instrument at fair value through other comprehensive income		**(45,442)**	75,536
– hedging instruments for fair value hedge		**–**	(65,202)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of:			
– subsidiaries		**5,172**	(2,452)
Other comprehensive (expense)/income for the year		**(41,638)**	6,758
Total comprehensive (expense)/income for the year		**(1,102,104)**	77,740
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,050,184)**	83,086
Non-controlling interests		**(10,282)**	(12,104)
		(1,060,466)	70,982
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(1,092,459)**	90,196
Non-controlling interests		**(9,645)**	(12,456)
		(1,102,104)	77,740
(Loss)/earnings per share	14		
– Basic (HK$)		**(1.02)**	0.09
– Diluted (HK$)		**(1.02)**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	15	190,849	304,774
Right-of-use assets	16	93,912	153,261
Goodwill	17	2,425	2,450
Intangible assets	18	94,768	261,364
Interest in associates	19	103,473	215,824
Interest in a joint venture	20	87,743	108,829
Financial assets at fair value through other comprehensive income	21	12,825	48,007
Deposits for acquisition of property, plant and equipment	25	72,492	370,619
Deposit for a theme park development project	25	50,000	–
Rental deposits		15,835	16,788
		724,322	1,481,916
Current assets			
Inventories	23	1,500	861
Trade receivables	24	170,054	226,243
Other receivables, deposits and prepayments	25	258,995	435,025
Financial assets at fair value through profit or loss	27	839	805
Restricted bank balances	22	718	4,523
Pledged bank deposits	22	3,725	3,565
Bank balances and cash	28	20,955	56,012
		456,786	727,034
Current liabilities			
Trade payables	29	15,522	1,367
Other payables and accruals	30	122,907	94,408
Amount due to a director	26	–	562
Contract liabilities	31	17,026	85,003
Tax payable		67,913	84,794
Guaranteed note	33	20,000	78,991
Bonds	36	321,416	199,397
Lease liabilities	34	35,371	36,426
Bank and other borrowings	35	99,599	21,353
		699,754	602,301
Net current (liabilities)/assets		(242,968)	124,733
Total assets less current liabilities		481,354	1,606,649

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Bonds	36	**64,581**	158,704
Bank and other borrowings	35	**111,957**	80,664
Lease liabilities	34	**90,265**	118,651
Long term other payables	30	**298**	595
Deferred tax liabilities	37	**–**	910
Contract liabilities	31	**33,885**	40,222
Provision for reinstatement costs for rented premises	32	**29,483**	31,980
Obligation arising from a put option to a non-controlling interest	39	**13,376**	3,065
Put option derivatives	39	**–**	1,517
		343,845	436,308
Net assets		**137,509**	1,170,341
Capital and reserves			
Share capital	40	**118,204**	98,170
Reserves		**31,152**	1,074,373
Equity attributable to owners of the Company		**149,356**	1,172,543
Non-controlling interests		**(11,847)**	(2,202)
Total equity		**137,509**	1,170,341

The consolidated financial statements on pages 53 to 166 were approved and authorised for issue by the board of directors on 26 September 2022 and are signed on its behalf by:

Chong Heung Chung Jason *DIRECTOR*	Liu Moxiang *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Investments revaluation reserve HK$'000	Hedging reserve HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Retained profits/ (Deficit) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2020	92,006	578,726	(5,331)	(80,378)	–	12,836	(90,368)	425,157	932,648	10,254	942,902
Profit for the year	–	–	–	–		–	–	83,086	83,086	(12,104)	70,982
Exchange differences arising on translation of foreign subsidiaries	–	–	(2,482)	–	–	–	215	–	(2,267)	(185)	(2,452)
Fair value gain on investment in equity instrument at fair value through other comprehensive income	–	–	–	75,536	–	–	–	–	75,536	–	75,536
Fair value loss on hedging instruments for fair value hedge (Note 43c)	–	–	–	–	(65,202)	–	–	–	(65,202)	–	(65,202)
Remeasurement of defined benefit plans	–	–	–	–	–	–	(957)	–	(957)	(167)	(1,124)
Total comprehensive expense for the year	–	–	(2,482)	75,536	(65,202)	–	(742)	83,086	90,196	(12,456)	77,740
Issuance of consideration shares (Note 40)	6,164	143,535	–	–	–	–	–	–	149,699	–	149,699
Transfer upon lapse of share options	–	–	–	–	–	(12,836)	–	12,836	–	–	–
Disposal of investments in equity instruments at FVTOCI	–	–	–	(68,258)	–	–	–	68,258	–	–	–
Transfer of fair value hedging loss upon derecognition of hedging instruments	–	–	–	–	65,202	–	–	(65,202)	–	–	–
At 31 March 2021	98,170	722,261	(7,813)	(73,100)	–	–	(91,110)	524,135	1,172,543	(2,202)	1,170,341
Loss for the year	–	–	–	–	–	–	–	(1,050,184)	(1,050,184)	(10,282)	(1,060,466)
Exchange differences arising on translation of foreign subsidiaries	–	–	5,107	–	–	–	(775)	–	4,332	840	5,172
Fair value loss on investment in equity instrument at fair value through other comprehensive income	–	–	–	(45,442)	–	–	–	–	(45,442)	–	(45,442)
Remeasurement of defined benefit plans	–	–	–	–	–	–	(1,165)	–	(1,165)	(203)	(1,368)
Total comprehensive expense for the year	–	–	5,107	(45,442)	–	–	(1,940)	(1,050,184)	(1,092,459)	(9,645)	(1,102,104)
Recognition of equity-settled share based payments	–	–	–	–	–	2,562	–	–	2,562	–	2,562
Issue of shares for debt capitalisation (Note 40)	19,634	36,816	–	–	–	–	–	–	56,450	–	56,450
Issue of shares for share acquisition (Note 40)	400	9,860	–	–	–	–	–	–	10,260	–	10,260
At 31 March 2022	118,204	768,937	(2,706)	(118,542)	–	2,562	(93,050)	(526,049)	149,356	(11,847)	137,509

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(1,079,145)	51,956
Adjustments for:		
Amortisation of intangible assets	70,286	38,052
Defined benefit plans loss	1,833	2,001
Depreciation of property, plant and equipment	66,464	46,092
Depreciation of right-of-use assets	35,497	37,091
Finance costs	80,638	88,659
Net loss/(gain) on a put option to a non-controlling interest	8,794	(3,365)
Interest income	(7)	(111)
Loss/(gain) on disposal of property, plant and equipment	465	(18,240)
Share of loss/(profit) of associates	112,351	(8,773)
Share of loss/(profit) of a joint venture	18,930	(8,709)
Provision recognised for reinstatement costs for rented premises	152	159
Gain on fair value changes of financial assets at fair value through profit or loss	–	(37,681)
Share-based payments expense	2,562	–
Impairment loss on investment in joint venture	2,156	–
Impairment loss on property, plant and equipment	69,589	–
Impairment loss on right-of-use assets	20,566	–
Impairment loss on intangible assets	96,051	–
Provision/(reversal of) for impairment loss of trade and other receivables	537,296	(5,227)
Loss on acquisition of an associate	–	2,469
Gain on early termination of lease	–	(79)
Loss on extinguishment of financial liabilities	–	5,483
Operating cash flows before movements in working capital	44,478	189,777
Increase in inventories	(639)	(621)
Increase in trade receivables	(32,273)	(157,165)
Decrease in other receivables, deposits and prepayments	32,477	9,850
Decrease in amount due from a joint venture	–	54
Increase in trade payables	14,155	–
Increase in other payables and accruals	15,147	34,614
(Decrease)/increase in contract liabilities	(77,816)	31,868
CASH (USED IN)/FROM OPERATION	(4,471)	108,377
Income tax refunded/(paid)	954	(601)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(3,517)	107,776
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(15,854)	(2,022)
Deposits paid for a theme park development project	(50,000)	–
Placement of restricted bank deposits	–	(4,523)
Withdrawal of time deposits	–	11,504
Interest received	7	111
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(65,847)	5,070

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Proceeds from bonds issuance, net of issue expenses	83,300	63,452
New bank and other borrowings raised	205,152	71,189
(Repayment to)/advances from a director	(562)	218
Proceeds from issuance of guaranteed note	20,000	–
Repayment of bonds	(77,091)	(94,764)
Interest paid	(35,695)	(61,399)
Repayment of guaranteed note	(80,000)	(20,000)
Repayment of bank and other borrowings	(31,598)	(19,736)
Repayment of lease liabilities	(45,335)	(46,079)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	38,171	(107,119)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(31,193)	5,727
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	56,012	52,800
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(3,864)	(2,515)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	20,955	56,012

1. Corporate Information

CA Cultural Technology Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Bright Rise Enterprises Limited ("**Bright Rise**"), a private company incorporated in the British Virgin Islands. The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 2905, 29th Floor, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are engaged in the sales of animation derivative products and theme park machineries, establishment and operation of indoor theme parks, provision of theme park design and consultancy services and multimedia animation entertainment.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is the same as the functional currency of the Company.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021, and the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 April 2021.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS 7**").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 March 2022.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$93,912,000 and HK$125,636,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Group recorded a net loss of HK$1,060,466,000 for the year ended 31 March 2022, and, as at 31 March 2022, the Group recorded net current liabilities of HK$242,968,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to HK$617,553,000, out of which HK$441,015,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to HK$20,955,000 only as at 31 March 2022.

During the year ended 31 March 2022 and up to the date of this report, the Group also has defaulted on repayment of certain bonds payable and a guaranteed note of approximately HK$128,300,000 and HK$20,000,000 respectively which were included as part of current liabilities as at 31 March 2022. Interest payable of approximately HK$14,160,000 was also in default. In addition, a winding-up petition was lodged with the High Court of Hong Kong by a guaranteed note holder (the "**Holder**") in pursuit of the outstanding debts owed to them. Also, the Group received several demand letters and statutory demands from bondholders in relation to the overdue payments of the bonds' principals and related interest, details of which are set out in Notes 33, 36 and 51 to the consolidated financial statements.

The conditions described above cast significant doubts on the Group's ability to continue as a going concern. The directors are of the view that the Group will be able to raise adequate funds to enable it to operate as a going concern, based on the Group's business forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and assume the following:

(i) successfully completing the debt restructuring of its bonds payables;

(ii) successfully dismissing the winding-up petition;

(iii) successfully obtaining additional new sources of financing as and when needed;

(iv) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses;

(v) successfully disposing of the Group's certain non-core assets;

(vi) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default.

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing be unavailable or the eventual outcome of the above matters be unsuccessful or unfavorable to the Group, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to write down to their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Changes in accounting estimates

Change of depreciation rate in the year

In previous years, certain leasehold improvements were depreciated at 10% per annum. With effect from 1 April 2021, these leasehold improvements have been depreciated at 20% per annum to reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. This change in depreciation rate has increased the depreciation charge for the year by approximately HK$22,945,000.

Change of amortization rate in the year

In previous years, intangible assets were amortized at 10% per annum. With effect from 1 April 2021, certain intangible assets have been amortized at 20% per annum to reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. This change in amortization rate has increased the amortization charge for the year by approximately HK$34,947,000.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 April 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Interest in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. Changes in net assets of the associate and joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Interest in an associate and a joint venture (Continued)

Interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

Revenue from licensing income and revenue from ticket sold for use at a future date are recognised over time by reference to output method. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Lease

(a) *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(b) *The Group as a lessee*

(i) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

(ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The principal annual rates are as follows:

Plant and machinery	2 to 5 years
Leased properties	1 to 6 years
Leasehold land	214 months

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Lease (Continued)

(b) The Group as a lessee (Continued)

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Lease (Continued)

(b) The Group as a lessee (Continued)

(v) Lease modifications

Except for COVID-19-Related Rent Concessions in which the Group applied practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(vi) Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Lease (Continued)

(b) *The Group as a lessee (Continued)*

(vii) COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in other reserves and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (representing current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share-based compensation reserve. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Taxation (Continued)

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the consideration cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Construction in progress for production or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Impairment on tangible and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairments loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(a) Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) *Financial assets (Continued)*

(i) Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) *Financial assets (Continued)*

(ii) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) *Financial assets (Continued)*

(v) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) *Financial assets (Continued)*

(v) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) *Financial assets (Continued)*

(v) Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(b) *Financial liabilities and equity*

(i) Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

(iv) Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(v) Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, bank and other borrowings, guaranteed note and bonds are subsequently measured at amortised cost, using the effective interest method.

(vi) Derecognition/Substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

(b) *Financial liabilities and equity (Continued)*

(vi) Derecognition/Substantial modification of financial liabilities (Continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

(vii) Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI, in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Derivative financial instruments (Continued)

Hedge accounting (Continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge of debt instruments at amortised cost or debt instruments at FVTOCI, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins. In the case of debt instruments at FVTOCI, amortisation applies in the same manner but to the extent of the cumulative hedging gain or loss previously recognised in profit or loss.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Significant influence over Triple Blessing International Limited ("**Triple Blessing**") and Lion Run Holdings Limited ("**Lion Run**")*

Note 19 describes that Triple Blessing and Lion Run are associates (the "**Associates**") of the Group although the Group has 48% ownership interest and voting rights in the Associates. The remaining 52% of shareholdings are owned by several investors that are unrelated to the Group. Details of the Associates are set out in Note 19.

The directors of the Company assessed whether the Group has control over the Associates based on whether the Group has the practical ability to direct the relevant activities of the Associates unilaterally. In making the judgement, the directors of the Company considered the Group's absolute size of holding in the Associates and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group does not have sufficiently dominant voting interest to direct the relevant activities of the Associates and therefore the Group does not have control over the Associates.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Provision of ECL for trade receivables, other receivables and deposits

The Group calculate ECL for the trade receivables based on the past due status as groupings of various debtors that have similar loss patterns. The ECL is based on the Group's historical default rates taking into consideration key economic variables impacting credit risk and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired receivables are assessed for ECL individually.

ECL for other receivables and deposits are also based on management's estimate of the 12-months/lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue other receivables and deposits, debtors' repayment history and an assessment of both the current and forecast general economic conditions.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, other receivables and deposits are disclosed in Notes 24, 25 and 43(b).

Estimated useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining periods.

At 31 March 2022, the carrying amount of property, plant and equipment was approximately HK$190,849,000 (2021: HK$304,774,000). Details of the useful lives of the property, plant and equipment are disclosed in Note 15.

Estimated useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the amortisation charges for the remaining periods.

At 31 March 2022, the carrying amount of intangible assets is approximately HK$94,768,000 (2021: HK$261,364,000). Details of the useful lives of the intangible assets are disclosed in Note 18.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of non-current assets relating to CA Sega Group, Huajiatai, Walita Toys (Cambodia) Company Limited and the multimedia segment

Property, plant and equipment, rights-of-use assets, intangible assets are stated at costs less accumulated depreciation, accumulated amortisation and impairment, if any. The directors review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, which in the case of value in use represents, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Based on the management's assessment, no impairment was recognised on non-current assets relating to CA Sega Group.

For non-current assets relating to Walita Toys (Cambodia) Company Limited, impairment loss of approximately HK$52,019,000 and HK$7,526,000 had been recognized in respect of the property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2022 (2021: HK$Nil).

For non-current assets relating to Huajiatai, impairment loss of approximately HK$17,570,000 and HK$13,040,000 had been recognized in respect of the property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2022 (2021: HK$Nil).

For non-current assets relating to the multimedia segment, impairment loss of approximately HK$96,051,000 has been recognized in respect of the intangible assets for the year ended 31 March 2022 (2021: HK$Nil).

Estimated impairment of assets held by Access Profit Global Enterprises Company Limited ("Access Profit")

The carrying value of the assets held by Access Profit was approximately HK$55,903,000 (2021: HK$302,545,000) as at 31 March 2022. Management's assessment of the recoverable amount of the assets held by Access Profit is described in Note 19(c).

The management assessed the recoverable amount of the assets held by Access Profit by fair value less cost of disposal calculation using market approach (2021: income approach) in respect of the impairment assessment as at 31 March 2022. Key assumptions applied in the impairment assessment model include estimated market price of the major assets held by Access Profit. Impairment loss of approximately HK$246,597,000 in respect of the assets held by Access Profit has been recognized in profit or loss during the year ended 31 March 2022 (2021: Nil).

Estimated impairment of assets held by Triple Blessing International Limited ("Triple Blessing")

The carrying value of assets held by Triple Blessing International Limited ("**Triple Blessing**") was approximately HK$97,351,000 (2021: HK$134,668,000) as at 31 March 2022. Management's assessment of the recoverable amount of the assets held by Triple Blessing is described in Note 19(b). The management assessed the recoverable amount of the assets held by Triple Blessing by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2022. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Triple Blessing. Impairment loss of approximately HK$30,411,000 in respect of the assets held by Triple Blessing has been recognized in profit or loss during the year ended 31 March 2022 (2021: HK$Nil).

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of assets held by Lion Run Holdings Limited ("Lion Run")

The carrying value of the assets held by Lion Run Holdings Limited ("**Lion Run**") was approximately HK$83,315,000 (2021: HK$90,344,000) as at 31 March 2022. Management's assessment of the recoverable amount of the assets held by Lion Run is described in Note 19(d). The management assessed the recoverable amount of the assets held by Lion Run by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2022. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Lion Run. Impairment loss of approximately HK$2,434,000 in respect of the assets held by Lion Run has been recognized in profit or loss during the year ended 31 March 2022 (2021: HK$Nil).

Estimated impairment of goodwill arising from investment in Success View Global Limited ("Success View") and assets held by Success View

The carrying value of Success View Global Limited ("**Success View**") was approximately HK$87,743,000 (2021: HK$108,829,000) as at 31 March 2022. Management's assessment of the recoverable amount of the investment in Success View is described in Note 20. The management assessed the recoverable amount of the investment in Success View by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2022. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Success View. Impairment loss of approximately HK$2,156,000 and HK$308,000 in respect of the goodwill arising from investment in Success View and the assets held by Success View respectively has been recognized in profit or loss during the year ended 31 March 2022 (2021: HK$Nil).

Fair value measurement of financial instruments

As at 31 March 2022, certain of the Group's financial assets at fair value through other comprehensive income, an investment in unlisted equity investments, amounting to HK$4,125,000 (2021: HK$40,000,000), are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Notes 21 and 43(b) for further disclosures.

Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

5. Revenue and Segment Information

Revenue represents revenue arising from sales of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in Hong Kong, Japan and the PRC during the year.

Information reported to the chief executive of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments currently are: (i) sales of animation derivative products, (ii) establishment and operation of indoor theme parks and (iii) multimedia animation entertainment. The CODM considers the Group has three operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

(i) Revenue from contract with customers within the scope of HKFRS 15

(a) Disaggregation of revenue from contracts with customers

	Notes	2022 HK$'000	2021 HK$'000
Sales of animation derivative products		**161,362**	139,201
Sales of admission tickets		**143,994**	106,817
Sales of theme park machineries		**127,583**	35,667
Licensing income of indoor theme parks	(i)	**1,114**	–
Licensing income of multimedia animation entertainment		**19,083**	83,624
Revenue from provision of theme park design and consultancy service	(ii)	**–**	113,000
		453,136	478,309

Notes:

(i) The revenue is mainly derived from licensing income generated from the Group's animation characters, sales of VR products, and ticketing income from VR gaming exhibitions.

(ii) The revenue is mainly derived from the provision of theme park design and consultancy services in a single reporting package to customers who are business partners with certain property developers in the PRC.

Timing of revenue recognition:

	2022 HK$'000	2021 HK$'000
At point in time	**433,268**	450,314
Over time	**19,868**	27,995
	453,136	478,309

5. Revenue and Segment Information (Continued)

(i) Revenue from contract with customers within the scope of HKFRS 15 (Continued)

(b) *Performance obligations for contracts with customers*

Sales of animation derivative products

Revenue from sales of animation derivative products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (i.e. upon delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Sales of admission tickets

Customers obtain control of goods and services when the tickets are accepted and surrendered by the customers upon entering the theme parks. Revenue from tickets sold for use at a future date is deferred and recognised as contract liability until the tickets are surrendered or have expired, which amounted to approximately HK$14,905,000 as at 31 March 2022 (2021: HK$4,876,000). There is generally only one performance obligation.

Licensing income of indoor theme parks/multimedia animation entertainment

Licensing income is recognised over time in accordance with the terms of the license agreements. There is generally only one performance obligation. Invoices are usually payable within 90 days to 365 days.

The licensing income is included in the segment revenue of multimedia animation entertainment and establishment and operation of theme park.

Sales of theme park machineries

Revenue from sales of theme park machineries is recognized when control of the goods has transferred, being when the goods have been accepted by the customers. Following the delivery and acceptance, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibilities when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

The income from sales of theme park machineries is included in the segment of establishment and operation of theme park.

Provision for theme park design and consultancy services

The Group provides integrated theme park design and consultancy services to customers under fixed-price contracts. The performance obligation of the Group includes delivery of an integrated theme park design and business plan in a single reporting package. Revenue from the provision for theme park design and consultancy service is recognised at a point in time when the customer has accepted and approved the reporting package.

The service income is included in the segment revenue of establishment and operation of theme park.

5. Revenue and Segment Information (Continued)

(i) Revenue from contract with customers within the scope of HKFRS 15 (Continued)

(c) Transaction price allocated to the remaining unsatisfied performance obligation for contracts with customers:

	Establishment and operation of indoor theme park	
	2022	2021
	HK$'000	HK$'000
Within one year	**1,850**	1,638
More than one year but not more than two years	**18,777**	3,414
More than two years	**10,784**	15,363
	31,411	20,415

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sales of animation derivative products, sales of admission tickets of indoor theme parks, provision for theme park design and consultancy services and sales of indoor theme park machineries such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the aforesaid contracts that had an original expected duration of one year or less.

(ii) Segment information

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Sales of animation derivative products HK$'000	Establishment and operation of indoor theme parks HK$'000	Multimedia animation entertainment HK$'000[i]	Total HK$'000
For the year ended 31 March 2022				
Segment revenue	**161,362**	**272,691**	**19,083**	**453,136**
Segment loss	**(22,176)**	**(282,997)**	**(511,111)**	**(816,284)**
Unallocated expense				**(181,991)**
Unallocated other income, other gains and losses				**(7,959)**
Unallocated finance cost				**(72,911)**
Loss before tax				**(1,079,145)**
For the year ended 31 March 2021				
Segment revenue	139,201	255,484	83,624	478,309
Segment profit	33,918	53,064	81,585	168,567
Unallocated income				5,227
Unallocated expenses				(75,985)
Unallocated other income, other gains and losses				35,509
Unallocated finance costs				(81,362)
Profit before taxation				51,956

Note:

There was no inter-segment revenue for the years ended 31 March 2022 and 2021.

5. Revenue and Segment Information (Continued)

(ii) Segment information (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Segment assets

	2022 HK$'000	2021 HK$'000
Sales of animation derivative products	97,202	140,401
Establishment and operation of indoor theme parks	657,092	953,953
Multimedia animation entertainment	342,978	865,070
Total segment assets	1,097,272	1,959,424
Property, plant and equipment	673	4,816
Interest in associates	12,365	91,196
Right-of-use assets	590	2,358
Other receivables, deposits and prepayments	28,721	35,794
Goodwill	2,425	2,450
Financial assets at FVTPL	839	805
Financial assets at FVTOCI	12,825	48,007
Restricted bank deposit	718	4,523
Pledged bank deposits	3,725	3,565
Bank balances and cash	20,955	56,012
Consolidated total assets	1,181,108	2,208,950

5. Revenue and Segment Information (Continued)

(ii) Segment information (Continued)

(b) Segment assets and liabilities (Continued)

Segment liabilities

	2022 HK$'000	2021 HK$'000
Sales of animation derivative products	12,430	4,254
Establishment and operation of indoor theme parks	257,518	350,440
Total segment liabilities	269,948	354,694
Other payables and accruals	73,784	50,342
Contract liabilities	–	200
Amount due to a director	–	562
Secured bank borrowings and other borrowings	211,556	102,017
Tax payable	67,913	84,794
Lease liabilities	727	2,820
Deferred tax liabilities	–	910
Bonds	385,997	358,101
Guaranteed note	20,000	78,991
Obligation arising from a put option to a non-controlling interest	13,376	3,065
Put option derivatives	–	1,517
Long-term payable	298	596
Consolidated total liabilities	1,043,599	1,038,609

Segment assets represent certain property, plant and equipment, right-of-use assets, intangible assets, deposits for acquisition of plant and equipment, deposits for a theme park development project, interest in associates, interest in a joint venture, inventories, trade receivables, certain other receivables, rental deposits and deposits and prepayments which are directly attributable to the relevant operating and reportable segments.

Segment liabilities represent trade payables, certain other payables and accruals, contract liabilities, lease liabilities, deferred tax liabilities, retirement benefit obligations, provision for reinstatement costs for rented premises, tax payable, obligation arising from a put option to a non-controlling interest and put option derivatives which are directly attributable to the relevant operating and reportable segments. These are the measures reported to the CODM for the purpose of resources allocation and assessment of segment performance.

5. Revenue and Segment Information (Continued)

(ii) Segment information (Continued)

(c) Other segment information

	Sales of animation derivative products HK$'000	Establishment and operation of indoor theme parks HK$'000	Multimedia animation entertainment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
2022						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	–	23,503	–	23,503	–	23,503
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,761	96,642	66,933	166,336	5,911	172,247
Share of loss of associates	–	(908)	(32,611)	(33,519)	(78,832)	(112,351)
Share of loss of a joint venture	–	–	(18,930)	(18,930)	–	(18,930)
Impairment loss on investment in a joint venture	–	–	2,156	2,156	–	2,156
Impairment loss on property, plant and equipment	52,020	17,569	–	69,589	–	69,589
Impairment loss on intangible assets	–	–	96,051	96,051	–	96,051
Impairment loss on right-of-use assets	7,526	13,040	–	20,566	–	20,566
(Reversal of)/impairment loss under expected credit loss model, net of reversal	(110)	231,748	305,658	537,296	–	537,296
Finance costs	–	7,728	–	7,728	72,910	80,638
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	(22,458)	3,779	–	(18,679)	–	(18,679)
2021						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment, right-of-use assets and intangible assets	–	8,548	73,703	82,251	–	82,251
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,808	74,707	33,213	110,728	10,507	121,235
Share of profit/(loss) of associates	–	193	8,927	9,120	(347)	8,773
Share of profit of a joint venture	–	–	8,709	8,709	–	8,709
(Loss)/gain on disposal of property, plant and equipment	–	(3,053)	21,293	18,240	–	18,240
Finance costs	9	7,192	96	7,297	81,362	88,659
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	(18,516)	(510)	–	(19,026)	–	(19,026)

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain administrative expenses, share-based payment expenses, other gains and losses (excluded gain on disposal of intangible assets), share of result of an associate, share of result of a joint venture, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

5. Revenue and Segment Information (Continued)

(ii) Segment information (Continued)

(d) Geographical information

The Group's operations are located in Hong Kong, Japan, Cambodia and the PRC.

Information about the Group's revenue from external customers is presented based on the destination of shipment for sales of products or location of services rendered/operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers

	2022 HK$'000	2021 HK$'000
PRC	204,329	280,065
Hong Kong	60,055	43,035
Japan	188,752	155,209
	453,136	478,309

Non-current assets by geographical location

	2022 HK$'000	2021 HK$'000
PRC*	602,250	1,237,578
Hong Kong	1,338	8,086
Japan	87,629	104,709
Cambodia	4,445	66,748
	695,662	1,417,121

Note: Non-current assets excluded financial assets at FVTOCI and rental deposits.

* As at 31 March 2022, the carrying amount of trademark arising from acquisition of subsidiaries included HK$Nil (2021: HK$3,639,000) which is allocated to the PRC as it is expected to be used in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group, which was mainly derived from provision of theme park design and consultancy service, licensing of intangible assets and sales of animation derivative products, are as follows:

	2022 HK$'000	2021 HK$'000
Customer A[1]	96,589	N/A*
Customer B[2]	60,055	N/A*
Customer C[3]	–	125,000

1. Revenue from sales of theme park machineries and licensing of theme park operation right.

2. Revenue from sales of animation derivative products.

3. Revenue from provision of theme park design and consultancy service and licensing of intangible assets.

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

6. Other Income

	2022 HK$'000	2021 HK$'000
Interest income	7	111
Government grants (Note)	9,337	7,459
Gain on waiver of debt	379	–
Others	836	800
	10,559	8,370

Note: Included in the government grants are amounts of approximately HK$Nil (2021: HK$540,000) and HK$4,544,000 (2021: HK$6,167,000) received from the Hong Kong government and the Ministry of Health, Labour and Welfare of the Japanese government respectively in respect of employment retention scheme implemented by the respective government due to COVID-19. There are no unfulfilled conditions or contingencies relating to these grants.

7. Other Gains and Losses

	Note	2022 HK$'000	2021 HK$'000
Net exchange gain		1,051	730
Net (loss)/gain on a put option to a non-controlling interest		(8,794)	3,365
Gain from changes in fair value of financial assets mandatorily measured at FVTPL	(i)	–	37,681
(Loss)/gain on disposal of property, plant and equipment		(465)	18,240
Loss on extinguishment of financial liability (Note 21(i))		–	(5,483)
Loss arising from acquisition of an associate (Note 19(c))		–	(2,469)
Other gain		54	494
		(8,154)	52,558

Note:

(i) During the year ended 31 March 2021, the gain is mainly arising from the fair value increase in the convertible notes issued by Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited) ("**Aceso Life**"), a company listed on the Main Board of the Hong Kong Stock Exchange, which were recognised as financial assets at FVTPL of the Group (the "**Convertible Notes**").

8. Finance Costs

	2022 HK$'000	2021 HK$'000
Interest expenses on bank borrowings	1,865	931
Interest expenses on other borrowings	5,247	428
Effective interest expenses on guaranteed note	5,751	10,989
Effective interest expenses on bonds	59,529	67,697
Interest on lease liabilities	8,246	8,611
Interest on bank overdraft	–	3
	80,638	88,659

9. Provision for/(Reversal of) Impairment Losses Under Expected Credit Loss Model, Net of Reversal

	2022 HK$'000	2021 HK$'000
Provision for/(Reversal of) impairment losses recognised on:		
– Trade receivables	**88,455**	(6,823)
– Other receivables and deposits	**448,841**	1,596
	537,296	(5,227)

10. Taxation

	2022 HK$'000	2021 HK$'000
The tax credit comprises:		
Hong Kong Profits Tax:		
Current tax	**4,337**	4,084
Overprovision in prior years	**(26,795)**	(22,600)
PRC Enterprise Income Tax ("**EIT**")	**4,407**	–
Corporate tax in Japan		
Current tax	**217**	804
	(17,834)	(17,712)
Deferred taxation for the year (Note 37)	**(845)**	(1,314)
	(18,679)	(19,026)

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The tax rate of the PRC subsidiaries is 25% for both years.

Corporate tax in Japan is calculated at 23.25% (2021: 23.25%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2021: 20.42%) and 5% (2021: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan.

10. Taxation (Continued)

The Group only notified the Hong Kong Inland Revenue Department ("**IRD**") of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 2012/13 amounting to HK$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years. As at 31 March 2022, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years, and after seeking professional advice, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2015/16 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK$26,795,000 for the year of assessment 2015/16 was reversed during the year ended 31 March 2022 (2021: HK$22,600,000 for the year of assessment 2014/15).

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK$4,566,000 and has already paid such amount to the IRD based on the tax returns received. As at 31 March 2022, the offshore profits claims are still under review by the IRD. The directors of the Company are of the opinion that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group as at 31 March 2022 would be HK$47,620,000 after considering the overprovision of year of assessment 2015/16 (2021: HK$70,094,000 for the overprovision of year of assessment 2014/15). The directors believe that the Group has made appropriate provision in respect of the possible tax liability.

Save as disclosed above, the directors of the Company are of the opinion that the Group is not subject to taxation in any other jurisdictions.

The tax credit for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit before taxation	**(1,079,145)**	51,956
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**(178,059)**	8,573
Tax effect of share of result of associates	**21,661**	(1,448)
Tax effect of share of result of a joint venture	**356**	(1,437)
Tax effect of expenses not deductible for tax purpose	**157,502**	37,087
Tax effect of income not taxable for tax purpose	**(5,386)**	(47,795)
Tax effect of tax concession granted by government authority	**(175)**	(175)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,740**	(2,654)
Tax effect of tax losses not recognised	**19,223**	15,313
Utilisation of tax losses previously not recognised	**(8,746)**	(3,890)
Overprovision of taxation in prior years	**(26,795)**	(22,600)
	(18,679)	(19,026)

11. (Loss)/profit for the Year

	Note	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year has been arrived at after charging:			
Staff costs:			
Directors' emoluments		5,423	4,836
Other staff costs			
Salaries and other benefits	(i)	68,943	74,723
Retirement benefit schemes		9,506	9,980
Defined benefits costs		1,680	1,947
Share-based payments expense		1,862	–
		87,414	91,486
Auditor's remuneration			
– audit services		3,038	3,062
Cost of inventories recognised as expenses			
– sales of animation derivative products		113,972	97,457
– sales of theme park machineries		82,931	13,537
– sales of VR products (in relation to revenue from multimedia animation entertainment)		–	353
Building management fee (included in cost of sales and services)		14,234	13,799
Depreciation of property, plant and equipment			
– Cost of sales and services		59,205	34,334
– Administrative expenses		7,259	11,758
Depreciation of right-of-use assets			
– Cost of sales and services		32,707	32,986
– Administrative expenses		2,355	3,648
– Research and development cost		435	457
Amortisation of intangible assets			
– Cost of sales and services		5,619	30,391
– Administrative expenses		64,667	7,661

Note:

(i) Total salaries and other benefits amounting to approximately HK$35,467,000 (2021: HK$41,328,000) are included in cost of sales and services and amounting to approximately HK$26,854,000 (2021: HK$24,232,000) are included in administrative expenses.

12. Directors', Chief Executive's and Employees' Emoluments

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2021: six) directors of the Company are as follows:

For the year ended 31 March 2022

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Incentive performance bonuses HK$'000	Share-based payments expense HK$'000	Total HK$'000
Executive directors:						
Mr. Chong Heung Chung Jason	1,056	744	18	150	–	1,968
Mr. Ting Ka Fai Jeffrey (resigned on 15 June 2022)	660	940	18	133	260	2,011
Ms. Liu Moxiang	392	13	29	–	260	694
Mr. Xiong Hao (appointed on 6 January 2022)	–	–	–	–	–	–
	2,108	1,697	65	283	520	4,673
Independent non-executive directors:						
Mr. Ni Zhenliang	250	–	–	–	–	250
Mr. Tsang Wah Kwong	250	–	–	–	–	250
Mr. Hung Muk Ming	250	–	–	–	–	250
	750	–	–	–	–	750
	2,858	1,697	65	283	520	5,423

For the year ended 31 March 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Incentive performance bonuses HK$'000	Share-based payments expense HK$'000	Total HK$'000
Executive directors:						
Mr. Chong Heung Chung Jason	1,056	744	18	150	–	1,968
Mr. Ting Ka Fai Jeffrey	660	940	18	133	–	1,751
Ms. Liu Moxiang	325	13	29	–	–	367
	2,041	1,697	65	283	–	4,086
Independent non-executive directors:						
Mr. Ni Zhenliang	250	–	–	–	–	250
Mr. Tsang Wah Kwong	250	–	–	–	–	250
Mr. Hung Muk Ming	250	–	–	–	–	250
	750	–	–	–	–	750
	2,791	1,697	65	283	–	4,836

Mr. Chong Heung Chung Jason is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. Directors', Chief Executive's and Employees' Emoluments (Continued)

Employees

Of the five individuals with the highest emoluments in the Group, two (2021: two) were directors and the chief executive of the Company whose emoluments are included above. The emoluments of the remaining three (2021: three) individuals were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	2,936	3,887
Retirement benefit scheme contributions	14	18
Incentive performance bonus	–	305
	2,950	4,210

Their emoluments were within the following bands:

	2022	2021
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	–	1

Incentive performance bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

No emoluments have been paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2022 and 2021. None of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 March 2022 and 2021.

13. Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

14. (Loss)/earnings Per Share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$1,050,184,000 (2021: profit attributable to owners of the Company of HK$83,086,000) and the weighted average of 1,033,664,000 ordinary shares (2021: 955,289,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

For the years ended 31 March 2022 and 2021, diluted (loss)/earnings per share attributable to owners of the Company were the same as the basic (loss)/earnings per share because the computation of diluted (loss)/earnings per share does not assume the exercise of the Company's share options as the exercise price of those share options was higher than the average market price of the Company's shares for both years ended 31 March 2022 and 2021.

15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 April 2020	355,823	67,173	9,809	52,663	485,468
Additions	230	1,784	8	–	2,022
Addition on acquisition of a subsidiary (Note 41)	–	27,326	–	–	27,326
Disposals	(3,680)	(37,349)	(141)	(241)	(41,411)
Exchange adjustments	3,229	(2,484)	(162)	(5)	578
At 31 March 2021	355,602	56,450	9,514	52,417	473,983
Additions	6,077	415	221	9,142	15,855
Disposals	(18)	(1,464)	(168)	–	(1,650)
Transfer from right-of-use assets	–	18,080	–	–	18,080
Exchange adjustments	2,092	(527)	19	(407)	1,177
At 31 March 2022	363,753	72,954	9,586	61,152	507,445
DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	96,071	28,081	6,406	–	130,558
Provided for the year	39,069	6,343	680	–	46,092
Eliminated on disposals	(2,006)	(4,391)	(83)	–	(6,480)
Exchange adjustments	1,446	(3,026)	619	–	(961)
At 31 March 2021	134,580	27,007	7,622	–	169,209
Provided for the year	59,954	5,823	687	–	66,464
Eliminated on disposals	(18)	(984)	–	–	(1,002)
Transfer from right-of-use assets	–	8,955	–	–	8,955
Exchange adjustments	2,087	1,291	3	–	3,381
Impairment loss	42,480	3,084	250	23,775	69,589
At 31 March 2022	239,083	45,176	8,562	23,775	316,596
CARRYING VALUES					
At 31 March 2022	124,670	27,778	1,024	37,377	190,849
At 31 March 2021	221,022	29,443	1,892	52,417	304,774

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Leasehold improvements	Over the shorter of the lease terms or 5 years
Plant and machinery	5 years to 10 years
Furniture, fixtures and equipment	5 years

Certain leased premises in the PRC are rented from Mr. Chong Heung Chung Jason, the substantial shareholder and the chief executive of the Company, who is in the process of obtaining the land use right certificates. After seeking legal advice, the directors of the Company consider that the title ownership certificates can be obtained by Mr. Chong Heung Chung Jason in due time for insignificant cost, therefore, the directors of the Company consider that this factor does not lead to impairment of the leasehold improvements. As at 31 March 2022, the carrying value of the relevant leasehold improvement approximates HK$176,000 (2021: HK$3,556,000).

15. Property, Plant and Equipment (Continued)

Impairment test on property, plant and equipment and right-of-use assets in HuaJiatai (Shanghai) Indoor Amusement Co., Ltd. ("Huajiatai")

In view of the operating loss of Huajiatai during the year ended 31 March 2022, the directors of the Company have performed impairment assessment on the property, plant and equipment and right-of-use assets with carrying amount, before adjustments for the results of impairment assessment, as at 31 March 2022 of approximately HK$83,627,000 (2021: HK$103,194,000) and HK$62,066,000 (2021: HK$77,480,000) respectively, with aggregate carrying amount of HK$145,693,000 (2021: HK$180,674,000), belonging to Huajiatai, which is principally engaged in operation of indoor theme park in the PRC. Management's assessment on the recoverable amounts of the property, plant and equipment and right-of-use assets was performed based on assessment of the recoverable amount of Huajiatai as a single cash generating unit. The recoverable amount of this cash generating unit has been determined by an independent professional valuer, Vincorn Consulting and Appraisal Limited ("**Vincorn**"), based on value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2021: 5-year) with a growth rate of 2% (2021: 2%) per annum being applied for estimated ticket price and number of visitors, direct costs and expenses. The pre-tax discount rate in measuring the amount of value in use is 23.2% (2021: 29%) per annum in relation to this cash generating unit. The cash-flows beyond the 5-year period are extrapolated using a steady 3% growth rate (2021: 3%). The growth rate reflects the long-term growth rate for the country in which the entity of the cash generating unit operates. The key assumptions also include budgeted sales and budgeted gross margins based on past performance and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the cash generating unit of Huajiatai is approximately HK$115,083,000, and impairment loss of approximately HK$17,570,000 and HK$13,040,000 was recognised for property, plant and equipment and right-of-use assets the year ended 31 March 2022 respectively (2021: HK$Nil), which arose mainly due to significant decrease in the budgeted revenue due to the prolonged impact of COVID-19 on the financial performance of Huajiatai during the year ended 31 March 2022.

Impairment test on property, plant and equipment and right-of-use assets relating to Walita Toys (Cambodia) Company Limited ("Walita")

In view of the significant adverse change in the economic environment in which Walita operates, the directors of the Company have performed impairment assessment on the property, plant and equipment with carrying amounts, before adjustments for the results of impairment assessment, as at 31 March 2022 of approximately HK$55,902,000 and right-of-use assets with carrying amount of approximately HK$8,088,000, with aggregate carrying amount of approximately HK$63,990,000 which belong to Walita in the sales of animation derivative products segment. Management's assessment on the recoverable amount of these assets was performed based on assessment of the recoverable amount of Walita as a single cash generating unit.

The recoverable amount of this cash generating unit has been determined by Vincorn, based on value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a growth rate of 3% per annum being applied for estimated selling price, direct costs and expenses. The pre-tax discount rate in measuring the amount of value in use is 15.8% per annum in relation to this cash generating unit. The cash-flows beyond the 5-year period are extrapolated using a steady 1% growth rate. The growth rate reflects the long-term growth rate for the country in which the entity of the cash generating unit operates. The key assumptions also include budgeted sales and budgeted gross margins based on past performance and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the cash generating unit relevant to Walita is approximately HK$4,445,000, and impairment loss of approximately HK$52,019,000 and HK$7,526,000 was recognised for property, plant and equipment and right-of-use assets for the year ended 31 March 2022 respectively, which arose mainly from the significant decrease in the budgeted revenue due to the prolonged impact of COVID-19 on the financial performance of Walita during the year ended 31 March 2022.

16. Right-of-use Assets

	Leased properties HK$'000 (note a)	Leasehold land HK$'000 (note b)	Plant and machinery HK$'000 (note a)	Total HK$'000
Cost				
As at 1 April 2020	169,863	10,484	26,482	206,829
Addition	1,374	–	5,165	6,539
Termination of leases	(8,636)	–	–	(8,636)
Modification of leases	16,036	–	–	16,036
Effect of foreign currency exchange difference	6,566	–	(1,054)	5,512
As at 31 March 2021	185,203	10,484	30,593	226,280
Addition	7,648	–	–	7,648
Effect of foreign currency exchange difference	(1,982)	–	(1,249)	(3,231)
Transfer to property, plant and equipment	–	–	(18,080)	(18,080)
As at 31 March 2022	190,869	10,484	11,264	212,617
Accumulated depreciation and impairment				
As at 1 April 2020	30,391	1,223	10,268	41,882
Depreciation charge	34,171	587	2,333	37,091
Termination of leases	(6,541)	–	–	(6,541)
Effect of foreign currency exchange difference	1,334	–	(747)	587
As at 31 March 2021	59,355	1,810	11,854	73,019
Depreciation charge	33,145	587	1,765	35,497
Effect of foreign currency exchange difference	(1,252)	–	(170)	(1,422)
Transfer to property, plant and equipment	–	–	(8,955)	(8,955)
Impairment loss (Note 15)	13,040	7,526	–	20,566
As at 31 March 2022	104,288	9,923	4,494	118,705
Carrying Value				
As at 31 March 2022	86,581	561	6,770	93,912
As at 31 March 2021	125,848	8,674	18,739	153,261

	2022 HK$'000	2021 HK$'000
Expenses relating to low value and short-term leases	**1,864**	1,489
COVID-19-Related Rent Concessions	**–**	(5,526)
Total cash outflow for leases	**45,335**	46,079

Notes:

(a) The Group leases various offices and plant and machinery under leases expiring from 1 to 6 years. Some leases include option to renew the lease when all terms are negotiated. None of the leases includes variable lease payments. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(b) It represents the Group's ownership interests on leasehold land held for own use in Cambodia, with remaining lease term of 48 years (2021: 49 years).

17. Goodwill

	HK$'000
CARRYING VALUES	
At 1 April 2020	2,472
Exchange adjustments	(22)
At 31 March 2021	2,450
Exchange adjustments	(25)
At 31 March 2022	2,425

Impairment Testing on Goodwill

For the purposes of impairment testing, goodwill with carrying amount of approximately HK$2,425,000 (2021: HK$2,450,000), property, plant and equipment with carrying amount of approximately HK$77,473,000 (2021: HK$84,881,000), right-of-use assets with carrying amount of approximately HK$43,734,000 (2021: HK$64,749,000) and intangible assets with carrying amount of approximately HK$Nil (2021: HK$3,639,000), with aggregate carrying amount of approximately HK$123,632,000 (2021: HK$155,719,000), have been allocated to an individual cash-generating unit and comprising CA Sega Joypolis Limited and its subsidiary ("**CA Sega Group**") which operates indoor theme parks in Japan and the PRC, in the segment of establishment and operation of indoor theme parks.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. Valuation prepared by Vincorn (2021: Vision Consulting and Appraisal Limited), was obtained in respect of the value-in-use calculations in order to support management's estimations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2021: 5-year) with a growth rate of 1% (2021: -7% to 3%) per annum being applied to projected revenue and cost of sales. The pre-tax discount rate in measuring the amount of value-in-use is 20.3% (2021: 26%) per annum in relation to this cash-generating unit. Cash flows beyond the five-year period is extrapolated using a steady 1% (2021: 1%) growth rate. Cash flow projections during the forecast period for the cash-generating units are based on the expected revenue and gross margins during the forecast period. Forecasted revenue and gross margins were determined based on past performance and the management's expectations for the market development.

During the year ended 31 March 2022, the management of the Group determines that there is no impairment of the cash generating unit comprising CA Sega Group containing goodwill, property, plant and equipment and intangible assets (2021: Nil).

During the year ended 31 March 2022, if the pre-tax discount rate was changed to 25.2% or the budgeted revenue covering five years were reduced by 1.71% while other parameters remain constant, the recoverable amount of the cash-generating unit allocated to CA Sega Group would equal its carrying value.

During the year ended 31 March 2021, the recoverable amount is significantly above the carrying amount of the cash-generating unit allocated to CA Sega Group. Management believed that any reasonably possible change in any of these assumptions would not result in impairment.

18. Intangible Assets

	Film rights and applications HK$'000 (note i)	Animation characters HK$'000 (note ii)	Indoor theme park right HK$'000 (note iii)	Trademark HK$'000 (note iv)	Total HK$'000
COST					
At 1 April 2020	192,788	65,906	2,279	26,517	287,490
Addition on acquisition of a subsidiary (Note 41)	–	46,364	–	–	46,364
Exchange adjustments	–	–	–	(465)	(465)
At 31 March 2021	192,788	112,270	2,279	26,052	333,389
Exchange adjustments	–	–	–	(259)	(259)
At 31 March 2022	192,788	112,270	2,279	25,793	333,130
AMORTISATION AND IMPAIRMENT					
At 1 April 2020	9,022	6,426	1,368	17,157	33,973
Charge for the year	21,147	11,421	228	5,256	38,052
At 31 March 2021	30,169	17,847	1,596	22,413	72,025
Charge for the year	42,456	24,223	227	3,380	70,286
Impairment loss	51,475	44,576	–	–	96,051
At 31 March 2022	124,100	86,646	1,823	25,793	238,362
CARRYING VALUES					
At 31 March 2022	68,688	25,624	456	–	94,768
At 31 March 2021	162,619	94,423	683	3,639	261,364

Notes:

(i) Film rights and applications represent the acquisition of film rights and applications from production parties for the distribution of films and gaming applications in various videogram formats, film exhibition, licensing and sub-licensing of film titles and mobile phone gaming applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.

Included in Films rights and applications is 4 sets of gaming applications acquired before 1 April 2020, with respective carrying amounts of approximately HK$27,945,000 (2021: HK$37,260,000), HK$31,157,000 (2021: HK$41,543,000), HK$26,812,000 (2021: HK$35,749,000) and HK$31,849,000 (2021: HK$42,466,000) as at 31 March 2022 (before impairment loss). The gaming applications entitle the Group to generate licensing income for 5 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 5 years.

(ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group. Included in Animation Characters is a shop design incorporating a brand name of an animation character, which were acquired before 1 April 2020 with carrying amounts of approximately HK$33,413,000 (2021: HK$44,550,000) (before impairment). The animation character brand name entitle the Group to generate licensing income for 5 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 5 years.

During the year ended 31 March 2021, the Group has acquired copyrights of a series of animation characters through acquisition of a subsidiary, Flourishing Emerald Limited, at fair value of consideration of approximately HK$46,364,000. See Note 41 for details.

(iii) Indoor theme park right represents the acquired intellectual property rights in the form of trademarks and know-how under a licensing agreement (the "**Licensing Agreement**") with SEGA Corporation, a Japanese corporation. The term of the Licensing Agreement is 10 years from the date of the Licensing Agreement which is renewable subject to negotiation among the parties concerned.

(iv) The trademark acquired on acquisition of CA Sega Group under Trademark Licence Agreement (the "**Trademark Licence Agreement**") with SEGA Holdings Co., Ltd. for a non-transferrable and non-exclusive right to use and sub-license the JOYPOLIS trademark for the establishment and operation of indoor theme parks with JOYPOLIS worldwide. The term of the Trademark Licence Agreement is 5 years from the date of the Trademark Licence Agreement which is renewable for another 5 years subject to negotiation among the parties concerned.

(v) The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the useful lives:

Film rights and applications	2–5 years
Animation characters	5 years
Indoor theme park right	10 years
Trademark	5 years

18. Intangible Assets (Continued)

Impairment assessment

(a) Film rights and applications and animation characters acquired before 1 April 2020

Film rights and applications with carrying amount of approximately HK$117,763,000 (2021: HK$157,018,000) (before impairment) and a shop design classified as Animation Characters with carrying amount of approximately HK$33,413,000 (2021: HK$44,550,000) (before impairment), with aggregate carrying amount of approximately HK$151,176,000 (2021: HK$201,568,000) as at 31 March 2022 are identifiable assets which generate cash flows largely independent of the cash flows from other intangible assets in the other CGUs as disclosed in Notes 15 and 17. Separate impairment assessments have been conducted for these intangible assets as there has been a delay in the execution of certain licensing agreements which caused modifications to the relevant discounted cash flows as at 31 March 2022. The recoverable amounts of the film rights and applications and the shop design as at 31 March 2022 have been determined by external valuation experts, AP Appraisal Limited ("**AP**"), based on fair value less cost of disposal ("**FVLCOD**"), by estimating the present value of expected future revenues and related cash flows arising from the licensing arrangements with various independent third parties, which were derived from discounting the projected cash flows using a post-tax discount rate of 18% (2021: 18%). The discount rate adopted is by reference to weighted average cost of capital ("**WACC**") of comparable companies which are engaged in the similar business plus additional risk premium related to the intangible assets. The key assumptions included budgeted licensing income which is based on the licensing agreements obtained at the end of the reporting period. The discounted cash flow analysis used cash flow projections for a period of 5 years, which is based on the expected license period and the expected useful lives of intangible assets (2021: 5 years). Growth rate of -5% to 0% (2021: 3%) per annum is applied during the 5 year period. Due to non-execution of part of the licensing agreements during the year ended 31 March 2022, which was primarily due to the outbreak of COVID-19, the FVLCOD of the intangible assets have been adversely affected. As a result, impairment loss of approximately HK$51,475,000 and HK$19,022,000 has been recognised in profit or loss during the year ended 31 March 2022 for film rights and applications and animation characters respectively (2021: HK$Nil).

(b) Animation characters acquired through acquisition of Flourishing Emerald Limited

The Animation Characters acquired through acquisition of Flourishing Emerald Limited with carrying amount of approximately HK$32,796,000 (before impairment) are identifiable assets which generate cash flows largely independent of the cash flows from other intangible assets in the other CGUs as disclosed in notes 15 and 17. A separate impairment assessment has been conducted for these intangible assets as there has been a delay in the execution of certain licensing agreements which caused modifications to the relevant discounted cash flows as at 31 March 2022. The recoverable amounts of the animation characters as at 31 March 2022 have been determined by external valuation experts, AP, based on FVLCOD, by estimating the present value of expected future revenues and related cash flows arising from the licensing arrangements with various independent third parties, which were derived from discounting the projected cash flows using a post-tax discount rate of 18%. The discount rate adopted is by reference to WACC of comparable companies which are engaged in the similar business plus additional risk premium related to the intangible assets. The key assumptions included budgeted licensing income which is based on the licensing agreements obtained at the end of the reporting period. The discounted cash flow analysis used cash flow projections for a period of 5 years, which is based on the license period. Growth rate of -5% to 0% per annum is applied during the 5 year period.

Due to non-execution of part of the licensing agreements during the year ended 31 March 2022, which was primarily due to the outbreak of COVID-19. The FVLCOD of the intangible assets have been adversely affected. As a result, impairment loss of approximately HK$25,554,000 has been recognised in profit or loss during the year ended 31 March 2022.

The fair value less cost of disposal of the intangible assets is classified as level 3 measurement.

19. Interest in Associates

	2022 HK$'000	2021 HK$'000
Cost of unlisted investment	**207,598**	207,598
Share of post-acquisition (loss)/profit and other comprehensive (expense)/income	**(104,125)**	8,226
	103,473	215,824

Details of the Group's material associates as at 31 March 2022 and 2021 are as follows:

Name of associate	Place of establishment	Principal place of business	Paid up registered capital	Proportion of equity interest held by the Group 2022	Proportion of equity interest held by the Group 2021	Proportion of voting rights held by the Group 2022	Proportion of voting rights held by the Group 2021	Principal activity
常州江南環球港華夏動漫科技有限公司 (Changzhou Southern Yangtze Global Harbor Chinese Animation Technology Co., Ltd) ("**Changzhou Joypolis**")	PRC	PRC	RMB25,000,000	**20%**	20%	**20%**	20%	Operation of indoor theme park
Triple Blessing	BVI	PRC	HK$138,121,000	**48%**	48%	**48%**	48%	Development and licensing of IP rights
Lion Run	BVI	PRC	HK$91,875,000	**48%**	48%	**48%**	48%	Development and licensing of IP rights
Access Profit Global Enterprises Group Limited ("**Access Profit**") and its subsidiary	BVI	PRC	HK$295,263,000	**31%**	31%	**31%**	31%	Development of logistic and storage business

Note:

The Group has 48% ownership interest and voting rights in Triple Blessing and Lion Run. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of the investees unilaterally, the directors of the Company conclude that the Group only has significant influence over Triple Blessing and Lion Run and therefore they are classified as associates of the Group.

The summarised financial information in respect of the Group's material associates set out below is extracted from the respective associates' financial statements prepared in accordance with HKFRSs. All of these associates are accounted for using the equity method in these consolidated financial statements.

(a) Changzhou Joypolis

	2022 HK$'000	2021 HK$'000
Non-current assets	**16,939**	37,574
Current assets	**5,039**	10,690
Current liabilities	**(4)**	(21,748)
Total comprehensive (expense)/income for the year	**(4,542)**	192

19. Interest in Associates (Continued)

(a) Changzhou Joypolis (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Changzhou Joypolis	21,974	26,516
Proportion of the Group's ownership interest in Changzhou Joypolis	20%	20%
Carrying amount of the Group's interest in Changzhou Joypolis	4,395	5,303

(b) Triple Blessing

	2022 HK$'000	2021 HK$'000
Non-current assets	97,351	134,668
Current assets	–	12,597
Current liabilities	(1)	–
Revenue for the year	–	13,000
(Loss)/profit for the year	(49,915)	9,144
Other comprehensive income for the year	–	–
Total comprehensive (loss)/income for the year	(49,915)	9,144

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Triple Blessing	97,350	147,265
Proportion of the Group's ownership interest in Triple Blessing	48%	48%
Carrying amount of the Group's interest in Triple Blessing	46,728	70,687

19. Interest in Associates (Continued)

(b) Triple Blessing (Continued)

On 25 September 2020, the Group acquired of 51% equity interest in Triple Blessing, out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and, therefore, the Group only beneficially entitled to 48% equity interest. Triple Blessing held intellectual property ("**IP**") intangible assets, which are IP rights of certain animation characters, at the acquisition date and the management of the Group concluded that the acquired set of activities and assets of Triple Blessing was not a business. The consideration was satisfied by the Convertible Notes issued by Aceso Life in principal amount of HK$50,000,000 with zero interest held by the Group and classified as financial assets at FVTPL. The cost of acquisition of the Group's interests in Triple Blessing was determined based on the fair value of the Convertible Notes in principal amount of HK$50,000,000 at the acquisition completion date of approximately HK$66,298,000, which were measured by Vincorn. The fair values of the Convertible Notes were determined by Vincorn based on the Binomial Pricing model. The key inputs used in the model are time-to-maturity, underlying share price, conversion price, coupon rate, expected volatility, risk-free rate and expected dividend yield. The fair value measurements were categorised into level 3 fair value hierarchy.

Impairment assessment

In view of the prolonged impact of COVID-19 pandemic and Triple Blessing experienced delay in receiving settlement of trade receivables from customers, the directors of the Company have performed impairment assessment on the intangible assets held by Triple Blessing.

The recoverable amount of this cash generating unit has been determined by Vincorn based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value-in-use is 18.8% per annum in relation to this cash generating unit.

The discounted cash flow analysis used cash flow projections with a negative growth rate ranging from 25% to 35% per annum being applied for estimated licensing income. The negative growth rate reflects the expected useful life and usage pattern of the IP held by Triple Blessing. The key assumptions also include budgeted licensing income and budgeted gross margins based on management's past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the intangible assets held by Triple Blessing is approximately HK$97,351,000, and impairment loss of approximately HK$30,411,000 was recognised for the year ended 31 March 2022 in Triple Blessing's financial statements, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Triple Blessing during the year ended 31 March 2022. The impairment loss is included in the share of loss of associates.

(c) Access Profit

	2022 HK$'000	2021 HK$'000
Non-current assets	55,903	302,545
Current assets	13	51,617
Current liabilities	(16,064)	(60,018)
Other income	–	3,524
Loss for the year	(248,536)	(1,119)
Other comprehensive expense for the year	(5,755)	–
Total comprehensive expense for the year	(254,291)	(1,119)

19. Interest in Associates (Continued)

(c) Access Profit (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Access Profit	39,852	294,144
Proportion of the Group's ownership interest in Access Profit	31%	31%
Carrying amount of the Group's interest in Access Profit	12,354	91,185

On 3 September 2020, the Group entered into a sales and purchase agreement ("**SP&A**") with the vendor of Access Profit, to acquire 31% equity interest in Access Profit, which indirectly held wholly owned subsidiary holds a leasehold land in the PRC ("**the Land**") at the acquisition date, at a consideration of HK$94,000,000, which was satisfied by the issuance of bonds ("**the Bonds**") at face value of HK$94,000,000 with 10% coupon rate and maturity date in 2022. The directors consider the fair value of the Bonds to be equal to the principal amount of the Bonds. The Bonds were early redeemed on 7 and 8 September 2020, as disclosed in Note 21(i).

At the acquisition date, the Land was for future development for use in the logistic and storage business to be carried out by the investee and the management of the Group concluded that the acquired set of activities and assets of Access Profit and its subsidiaries do not constitute a business. The excess of the fair value of the consideration of HK$94,000,000 and the Group's share of net assets of Access Profit, amounting to approximately HK$2,469,000, was recognized as other gain and losses in the consolidated profit or loss during the year ended 31 March 2021.

Impairment assessment

During the years ended 31 March 2022 and 2021, as Access Profit has not commenced operation and incurred loss, the directors of the Company have performed impairment assessment on the Land held by Access Profit. The recoverable amount of Access Profit has been determined by AP based on fair value less costs of disposal ("**FVLCOD**").

As at 31 March 2021, the FVLCOD of the Land held by Access Profit is estimated by discounted cash flow approach. The post-tax discount rate uses for measuring the amount of FVLCOD was 16.5% per annum in relation to the Land. The discount rate adopted was by reference to WACC of comparable companies which were engaged in the similar business.

The key assumptions for the FVLVOD calculation were those regarding the discount rate of 16.5%, 3% growth rate being applied for estimated selling prices, direct costs and expenses, and budgeted production plan of 10 years from 2023 to 2033, which was according to the legal life of the land use right. The discount rate had been determined based on the market comparables. The growth rate reflects the long-term growth rate for the country in which the associate operates. The budgeted production plan had been determined based on the management's expectation for the market development and expected production capacity and storage volume of the warehouse for development of logistic business of the associate. As a result of the impairment assessment, no impairment loss had been recognized in respect of the Land held by Access Profit for the year ended 31 March 2021.

19. Interest in Associates (Continued)

(c) Access Profit (Continued)

As at 31 March 2022, the FVLCOD of the Land held by Access Profit is estimated by reference to the FVLCOD, based on recent market transactions of comparable Land. Since Access Profit has not yet commenced for the Land development due to lack of funds and prolonged impact from COVID-19 in the PRC, and the existence of comparable market transactions in respect of the Land, the Board considers that the change in valuation method provides more reliable information about the recoverable amount of the Land held by Access Profits as at 31 March 2022. Below is a summary of the valuation techniques used and the key inputs to the valuation of the Land.

Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Sales comparison method	Estimated market price per square meter (RMB)	RMB226-412 per square meter	the higher the market price, the higher the fair value

Apart from the considerations described above in determining the FVLCOD of the Land held by Access Profit, the Group's management is not currently aware of any other probable changes that would necessitate changes in these key assumptions. However, the estimate of recoverable amount of the Group's investment in Access Profit is particularly sensitive to the market price of market comparable.

The fair values less cost of disposal of the Land held by Access Profit is classified as level 3 measurement.

Based on the valuation report prepared by AP, the recoverable amount of the Land held by Access Profit is approximately HK$55,903,000, and impairment loss of HK$246,597,000 was recognized for the year ended 31 March 2022 in Access Profit's financial statements. The impairment loss is included in the share of loss of associates.

(d) Lion Run

	2022 HK$'000	2021 HK$'000
Non-current assets	83,315	90,344
Current assets	–	10,985
Current liabilities	(14)	–
Revenue for the year	–	11,125
(Loss)/profit for the year	(18,026)	9,454
Other comprehensive income for the year	–	–
Total comprehensive (expense)/income for the year	(18,026)	9,454

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Lion Run	83,301	101,329
Proportion of the Group's ownership interest in Lion Run	48%	48%
Carrying amount of the Group's interest in Lion Run	39,984	48,638

19. Interest in Associates (Continued)

(d) Lion Run (Continued)

On 8 December 2020, the Group completed the acquisition of 51% equity interest in Lion Run at consideration of HK$44,100,000 which was satisfied by the Company's allotment and issuance of consideration bond (the "**Consideration Bond**") of principal amount HK$44,100,000 with 10% coupon and maturity date in 2022, out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and therefore, the Group only beneficially entitled to 48% equity interest. The Directors consider the fair value of the Consideration Bonds to be equal to the face value of the Consideration Bond. The Consideration Bonds were early redeemed within the same month of issuance and allotment, as explained below. Lion Run only held intangible assets at the acquisition date, which are IP rights of certain animation characters, and the management concluded that the acquired set of activities and assets was not a business.

Based on a supplementary agreement executed on 28 December 2020, the consideration was satisfied by the issue of 17,640,000 new ordinary shares of the Company of HK$0.1 each at issue price of HK$2.5 per share, which is also the fair value of the shares at acquisition date of Lion Run used for the cost of acquisition of the interests in Lion Run and representing an approximately 4.6% premium to the closing price of HK$2.39 on the date of extinguishment of the Consideration Bond, to early redeem the consideration bond allotted and issued.

Impairment assessment

In view of the prolonged impact of COVID-19 pandemic and Lion Run experienced delay in receiving settlement of trade receivables from customers, the directors of the Company have performed impairment assessment on the intangible assets held by Lion Run as at 31 March 2022.

The recoverable amount of this cash generating unit has been determined by the directors of the Company based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value-in-use is 18.8% per annum in relation to this cash generating unit, which was determined by Vincorn.

The discounted cash flow analysis used cash flow projections for the period from 2022 to 2040 with a negative growth rate ranging from 25% to 35% per annum being applied for estimated licensing income. The cash flow projection period is based on the license period of the IP held by Lion Run. The negative growth rates reflect the expected life and usage pattern of the IP held by Lion Run. The key assumptions also include budgeted licensing income and budgeted gross margins based on management's past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the intangible assets held by Lion Run is approximately HK$83,303,000, and impairment loss of approximately HK$2,434,000 was recognised for the year ended 31 March 2022 on Lion Run's financial statements, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Lion Run during the year ended 31 March 2022. The impairment loss is included in the share of loss of associates.

20. Interest in a joint venture

	2022 HK$'000	2021 HK$'000
Cost of investment in a joint venture	100,120	100,120
Share of post-acquisition profits (loss) and other comprehensive (expense)/income	(10,221)	8,709
	89,899	108,829
Less: Impairment loss	(2,156)	–
Carrying amount of the Group's investment in Success View	87,743	108,829

Details of the Group's joint venture as at 31 March 2022 and 2021 are as follows:

Name of joint venture	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group 2022	Proportion of equity interest held by the Group 2021	Proportion of voting rights held by the Group 2022	Proportion of voting rights held by the Group 2021	Principal activity
Success View Global Limited ("**Success View**")	BVI	USD25,770,100	50%	50%	50%	50%	Multimedia animation entertainment business

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts extracted from the joint venture's financial statements prepared under HKFRSs. The joint venture is accounted for using the equity method in these consolidated financial statements.

	2022 HK$'000	2021 HK$'000
Success View		
Current assets	1	27,484
Non-current assets	175,572	185,931
Current liabilities	(87)	(69)
Revenue	–	54,967
(Loss)/profit for the year	(37,860)	17,419
Other comprehensive income for the year	–	–
Total comprehensive (expense)/income for the year	(37,860)	17,419

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of Success View	175,486	213,346
Proportion of the Group's ownership interest in Success View	50%	50%
Group's share of net assets	87,743	106,673
Goodwill	–	2,156
Carrying amount of the Group's interest in Success View	87,743	108,829

20. Interest in a joint venture (Continued)

Impairment assessment

In view of the prolonged impact of COVID-19 pandemic, Success View recorded operating loss during the year ended 31 March 2022, hence the directors of the Company have performed impairment assessment on the intangible assets held by Success View and the goodwill arising from acquisition of investment in Success View as a single cash generating unit.

The recoverable amount of this cash generating unit has been determined by the directors of the Company based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value-in-use is 17.9% per annum in relation to this cash generating unit, which was determined by Vincorn.

The discounted cash flow analysis used cash flow projections for the period from 2022 to 2040 with a negative growth rate ranging from 25% to 35% per annum being applied for estimated licensing income. The cash flows projection period is based on the license period of the IP held by Success View. The negative growth rates reflect the expected life and usage pattern of the IP held by Success View. The key assumptions also include budgeted licensing income and budgeted gross margins based on management's past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of Success View is approximately HK$175,572,000, and impairment loss of approximately HK$2,156,000 and HK$308,000 was recognised for the year ended 31 March 2022 for goodwill of investment in joint venture and the intangible assets held by Success View respectively, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Success View during the year ended 31 March 2022.

21. Financial Assets at Fair Value through Other Comprehensive Income

	2022 HK$'000	2021 HK$'000
Equity securities listed in Hong Kong (i)	8,700	8,007
Unlisted equity investments (ii)	4,125	40,000
	12,825	48,007

(i) The above listed equity investments represent ordinary shares of entities listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In June 2020, the Group has signed 2 forward contracts (the "**forward contracts**") with two separate independent third parties (the "**2 Parties**") to sell 372,585,332 listed ordinary shares of Aceso Life (the "**Aceso shares**") held by the Group and which were classified as the Group's financial assets at FVTOCI to the 2 Parties, at the forward price of HK$0.225 per share of Aceso in future date of 8 September 2020, regardless of the market value of the stock at the future date. Accordingly, the Group has recognised fair value loss of approximately HK$65,202,000 through other comprehensive expense from the forward contracts during the year ended 31 March 2021. Please refer to Note 43(c) for the quantitative disclosure with regard to the fair value hedge.

21. Financial Assets at Fair Value through Other Comprehensive Income (Continued)

(i) (Continued)

Subsequent to the execution of the sales and purchase agreement ("**SP&A**") with regard to the acquisition ("**the acquisition**") of Access Profit Global Enterprises Limited ("**Access Profit**") and completion of the acquisition (see Note 19(c)), the vendor has transferred the consideration bonds of aggregate principal amount HK$94,000,000 ("**the Bonds**") issued by the Group to the 2 Parties, and the Group has signed another bond redemption agreement with the 2 Parties to redeem the Bonds and settled the forward contracts on 7 September 2020 and 8 September 2020 by means of transferring the Aceso shares at forward price of HK$0.225 (aggregate contracted value was approximately HK$83,832,000), and Aceso Convertible Notes of aggregate principal amount of HK$10,000,000 with zero coupon, which fair value was measured to be approximately HK$15,652,000 on the date of redemption by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the 2 parties. The Group has recognized loss of approximately HK$5,483,000 upon redemption of the Bonds in the other gains and losses of the consolidated profit or loss during the year ended 31 March 2021.

During the year ended 31 March 2022, the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which is included in financial assets at fair value through other comprehensive income.

The fair value of the listed equity securities is based on their current bid prices in active markets, and therefore classified under level 1 of fair value hierarchy.

(ii) In February 2021, the Group entered into and completed a subscription agreement pursuant to which the Group subscribed for shares of a limited partnership incorporated in the PRC (the "**Investment**"), as a limited partner, for an aggregate consideration of HK$40,000,000, which was settled by transferring the Group's Aceso Life Convertible Note of aggregate principal amount of HK$40,000,000 with zero coupon, which fair value was measured to be approximately HK$40,000,000 on the date of subscription of the Investment by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the vendor. The Group, as a limited partner in the Investment, does not have the power to participate in the financial and operating policy decisions of the Investment. As such, the Group does not have significant influence over the Investment. The shares of the Investment held by the Group represent 0.145% of the issued equity capital of the Investment as at 31 March 2022 and 2021. The directors of the Company have elected to designate these investments in equity instrument at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long term-purpose and realising their performance potential in the long run.

Please refer to Note 43(b) for the fair value measurements of the Investments.

22. Pledged and Restricted Bank Deposits

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carry interest at market rates ranging from 0.3% to 1.3% (2021: from 0.3% to 1.3%) per annum.

Restricted bank deposits

The balance as at 31 March 2022 and 2021 represented the frozen bank deposits according to the civil ruling on 6 January 2020 issued by the People's Court of Putuo District, Shanghai, in relation to a litigation as disclosed in note 51. Such balance remained frozen up to the report date and carried prevailing market interest rate as at 31 March 2022 and 2021.

23. Inventories

	2022 HK$'000	2021 HK$'000
Finished goods	1,500	861

24. Trade Receivables

	2022 HK$'000	2021 HK$'000
Trade Receivables	268,762	236,496
Less: accumulated impairment losses	(98,708)	(10,253)
	170,054	226,243

As at 1 April 2020, the trade receivables from contracts with customers amounted to approximately HK$82,399,000.

The Group generally allows a credit period ranging from 30 days to 90 days to its customers of sales of animation derivative products except certain customers with strategic business relationship which are granted a longer credit period of 180 days.

For customers of licensing income, the Group allows a credit period ranging from 90 to 365 days.

The Group allows a credit period of 365 days to its customer with strategic business relationship who obtained theme park design and consultancy services from the Group.

The following is an aged analysis of trade receivables presented based on the invoice dates:

	2022 HK$'000	2021 HK$'000
0 to 90 days	49,843	33,748
91 to 180 days	1,333	121,289
181 to 365 days	22,929	66,240
Over 365 days	95,949	4,966
	170,054	226,243

Included in trade receivables aged within 91 to 180 days, 181 to 365 days and over 365 days are the gross receivable balance of approximately HK$Nil (2021: HK$117,000,000), HK$Nil (2021: HK$39,400,000) and HK$156,000,000 (2021: HK$Nil) respectively, which arose from the revenue generated from provision of integrated theme park design services and the licensing fee for use of the Group's intangible assets to two customers of the Group who are business partners with renowned property developers in the PRC. For provision of integrated theme park design services, billings were made after the delivery of reporting package. Regarding the licensing fee income, billings were made periodically during the license period.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

24. Trade Receivables (Continued)

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due at the end of each reporting period for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the settlements after the end of the reporting period from those debtors are satisfactory. The Group does not hold any collateral over these balances. Ageing of trade receivables which are past due but not impaired, aged based on past due dates, is as follows:

	2022 HK$'000	2021 HK$'000
0 to 90 days	99,021	13,472
91 to 180 days	7,273	8,212
181 to 365 days	34,831	8,977
	141,125	30,661

The Group's trade receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2022 HK$'000	2021 HK$'000
United States Dollars ("**US$**")	27,705	29,097

Details of impairment assessment are set out in note 43(b).

As at 31 March 2022, included in the Group's trade receivables are debtors with aggregate gross amount of approximately HK$28,274,000 (before provision for impairment) which were past due for more than 365 days and/or with history of default. The directors consider credit risk have increased significantly on these trade receivables and considered the receivables as credit-impaired. The Group has taken legal action against the debtors to recover the trade receivables of amount of HK$26,775,000.

25. Deposit for acquisition of property, plant and equipment/Deposit for a theme park development project/Other receivables, deposits and prepayments

Non-current assets:

	Note	2022 HK$'000	2021 HK$'000
Deposits for acquisition of property, plant and equipment	(i)	72,492	370,619
Deposit for a theme park development project	(ii)	50,000	–

Note:

(i) The deposits for acquisition of property, plant and equipment is advance payment made to various construction vendors who are independent third parties for interior design works, fire safety facilities and playground facilities for future construction of "Wonder Forest" and "Joypolis" indoor theme parks in the PRC. The construction contracts were still valid as at 31 March 2022 with expiry dates in 2022 to 2023.

(ii) Pursuant to a contract entered into between the Group and an independent consultant, a deposit of HK$50 million for a theme park development project was made as an advance payment to the said consultant for the intended formation of joint venture and acquisition of facilities for construction of theme parks in South-East Asia.

25. Deposit for acquisition of property, plant and equipment/Deposit for a theme park development project/Other receivables, deposits and prepayments (Continued)

Current assets:

	Note	2022 HK$'000	2021 HK$'000
Proceeds receivable from disposal of intangible assets	(iii)	–	173,660
Rental deposit		6,020	4,951
VAT recoverable		1,159	1,741
Deposits refundable from a game developer	(iv)	–	24,987
Other receivables		6,333	7,013
Proceeds receivable from disposal of property, plant and equipment	(v)	–	138,071
Prepayments	(i)	63,870	84,180
Amounts due from associates		29	69
Amount due from a joint venture		87	–
Deposit refundable from construction vendors	(ii)	181,002	–
Interest receivable		–	6
Deposit paid		495	347
		258,995	435,025

Notes:

(i) As at 31 March 2022, included in the balance of prepayments is a prepayment for purchase of animation derivative products made to the main supplier of the Group, amounting to approximately HK$40,639,000 (2021: HK$34,000,000), prepayments to various vendors of interior design and suppliers of indoor theme park facilities for reselling to the customers amounting to approximately HK$Nil (2021: HK$23,217,000), and prepayments of commission or service fee of approximately HK$19,590,000 (2021: HK$20,560,000) to an independent bond placement agent for the negotiations with the bond holders for the renewal of bonds and/or extension of bond repayment dates.

(ii) During the year ended 31 March 2022, the Group has renegotiated the terms with certain construction vendors to request for refund of the amount previously paid for construction of various theme parks within one year after the end of the reporting period. Accordingly, the amounts of the deposits were reclassified from deposits for acquisition of property, plant and equipment to deposit refundable from construction vendors.

(iii) As at 31 March 2022, the proceeds receivable from disposal with aggregate carrying amount of approximately HK$176,536,000 (before impairment loss) were past due for more than 365 days. The directors consider credit risk have increased significantly on the balance and considered the receivables as credit-impaired and a full impairment of approximately HK$176,536,000 was recognised during the year. The Group has taken legal action against these purchasers of intangible assets to recover the proceeds receivables of amount of HK$176,536,000.

(iv) As at 31 March 2022, the deposits refundable from a game developer with aggregate carrying amount of approximately HK$25,113,000 (before impairment loss) were past due for more than 365 days. The directors consider credit risk have increased significantly on the balance and considered the receivables as credit-impaired and a fully impairment of approximately HK$25,113,000 was recognised during the year. The Group has taken legal action against the game developer to recover the deposit refundable of amount of HK$25,113,000.

(v) As at 31 March 2022, the proceeds receivable from disposal of property, plant and equipment with aggregate carrying amount of approximately HK$135,716,000 (before impairment loss) were past due for more than 365 days. The directors consider credit risk have increased significantly on the balance and considered the receivables as credit-impaired and a full impairment of approximately HK$135,716,000 was recognised during the year. The Group has taken legal action against the purchasers of property, plant and equipment to recover the proceeds receivable of amount of HK$135,716,000.

26. Amount Due to a Director

	2022 HK$'000	2021 HK$'000
Chong Heung Chung, Jason	–	562

The amount is unsecured, interest-free and repayable on demand.

27. Financial Assets at Fair Value Through Profit or Loss

	2022 HK$'000	2021 HK$'000
Structured deposits (Note i)	839	805

	2022 HK$'000	2021 HK$'000
Analysed for reporting purposes as:		
Current assets	839	805

Notes:

(i) The structured deposits are wealth management products issued by a bank in Mainland China and are classified as financial assets at fair value through profit or loss at 31 March 2022 and 2021 as their contractual cash flows are not solely payments of principal and interest. The Group uses structured deposits primarily to enhance the return on investment.

28. Bank Balances and Cash

Bank balances carry interest at market rates ranging from 0.001% to 0.3% (2021: from 0.0001% to 2.7%) per annum.

Bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2022 HK$'000	2021 HK$'000
RMB	5	3,625
US$	96	38
JPY	105	107

For the years ended 31 March 2022 and 2021, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

29. Trade Payables

	2022 HK$'000	2021 HK$'000
Trade payables	**15,522**	1,367

The average credit period on purchases of goods range from 0 to 30 days. The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
0 to 30 days	**9,990**	1,150
Over 90 days	**5,532**	217
	15,522	1,367

30. Other Payables and Accruals

	2022 HK$'000	2021 HK$'000
Current portion		
Other payables and accruals	**46,435**	47,504
Payable for acquisition of plant and equipment	**5,774**	5,016
Interest payables	**59,582**	28,373
Salaries payables	**2,579**	3,904
Other tax payables	**8,537**	9,611
	122,907	94,408
Non-Current portion		
Other payables and accruals	**298**	595
	298	595

31. Contract liabilities

	Note	2022 HK$'000	2021 HK$'000
Current portion			
Sales of animation derivative products		2,121	2,740
Sales of admission tickets and licensing income of indoor theme parks		14,905	4,876
Sales of theme park machineries and provision of renovation work	(i)	–	77,387
		17,026	85,003
Non-current portion			
Provision of licence for indoor theme parks	(ii)	33,885	40,222
Total contract liabilities		50,911	125,225

Notes:

(i) Contract liabilities represent the deposit amounts received from customers at the requests of the Group when they place confirmed orders.

(ii) It represents the upfront license fee received from the franchisees for the franchisees using the Group's brand to operate indoor theme parks, which will be recognised as revenue more than one year after the end of the reporting period when the indoor theme parks commence operation.

Movements in contract liabilities

	2022 HK$'000	2021 HK$'000
Balance at 1 April	125,225	24,979
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(91,340)	(6,637)
Increase in contract liabilities as a result of billings in advance from customers	17,026	106,883
	50,911	125,225

32. Provision for Reinstatement Costs for Rented Premises

	2022 HK$'000	2021 HK$'000
At 1 April	31,980	32,389
Provision recognised	152	159
Exchange adjustment	(2,649)	(568)
At 31 March	29,483	31,980

	2022 HK$'000	2021 HK$'000
Provision for reinstatement costs for rented premises		
Analysed for reporting purpose as:		
Current liabilities	–	–
Non-current liabilities	29,483	31,980
	29,483	31,980

Under the terms of the rental agreements signed with landlords, the Group should remove and re-instate the rented premises at the Group's cost upon expiry of the relevant rental agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

33. Guaranteed Note

Guaranteed Note A

On 27 September 2017, the Company issued HK$200,000,000 of 7.5% secured guaranteed note ("**Note A**"), which was originally matured on 27 September 2018. During the year ended 31 March 2018, the Company repaid principal amount of HK$60,000,000. The outstanding principal of HK$140,000,000 had renewed maturity on 26 September 2019 and coupon rate of 9.5%. The interest on Note A is payable semi-annually in arrears and the note is denominated in HK$. During the year ended 31 March 2020, the Company repaid principal amount of HK$40,000,000 before the original maturity date, and the outstanding principal of HK$100,000,000 was granted a further extension of maturity date by the purchaser to 26 September 2020, with a revised coupon rate of 10.5%. During the year ended 31 March 2021, the Company repaid principal amount of HK$20,000,000 and the outstanding principal of HK$80,000,000 was granted a further extension of maturity date by the subscriber to 25 September 2021, with a revised coupon rate of 8.5%. In the opinion of the directors of the Company, such revisions did not represent a substantial modification of the original Guaranteed Note.

Note A is secured by the Company's shares held by the substantial shareholder of the Company and guaranteed by the substantial shareholder of the Company. The proceeds were utilised for general corporate purpose and other investment opportunities.

During the year ended 31 March 2022, Note A has been fully settled.

Guaranteed Note B

On 24 September 2021, the Company issued HK$20,000,000 of 8% secured guaranteed note ("**Note B**"), which is secured by the Company's shares held by the substantial shareholder of the Company. The proceeds were utilized for general corporate purpose.

During the year ended 31 March 2022, the Company had breached certain default clause stipulated in the note purchase agreement (the "**Agreement**") of Note B, which triggered the holder of Note B (the "**Note Holder**") to demand for immediate payment of the principal and accrued interest from the Company. On 27 May 2022, the Note Holder filed a winding-up petition against the Company in the High Court of Hong Kong, see Note 51(a).

As at 31 March 2022, Note B with principal amount of HK$20,000,000 was overdue for repayment and together with the overdue interests thereon of approximately HK$880,000 was not repaid.

34. Lease liabilities

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	35,371	36,426
Within a period of more than one year but not more than two years	77,876	34,861
Within a period of more than two years but not more than five years	11,625	83,790
More than five years	764	–
	125,636	155,077
Less: Amount due for settlement within 12 months shown under current liabilities	(35,371)	(36,426)
Amount due for settlement after 12 months shown under non-current liabilities	90,265	118,651

35. Bank and Other Borrowings

	2022 HK$'000	2021 HK$'000
Bank borrowings and overdraft	**115,540**	87,980
Other borrowings	**96,016**	14,037
	211,556	102,017
(i) Bank borrowings and overdraft		
The carrying amount of the bank borrowing are repayable		
Within one year	**20,237**	21,353
Within a period of more than one year but not exceeding two years	**13,390**	11,094
Within a period of more than two years but not exceeding five years	**50,808**	24,111
More than five years	**31,105**	31,422
	115,540	87,980
Less: Amount due within 1 year shown under current liabilities	**(20,237)**	(21,353)
Amount of bank borrowing shown under non-current liabilities	**95,303**	66,627
(ii) Other Borrowings		
The carrying amount of the other borrowings is repayable		
Within one year	**79,362**	–
Within a period of more than one year but not exceeding two years	**1,030**	–
Within a period of more than two years but not exceeding five years	**15,624**	14,037
	96,016	14,037
Less: Amount due within 1 year shown under current liabilities	**(79,362)**	–
Amount of other borrowings shown under non-current liabilities	**16,654**	14,037
Bank and other borrowings shown under non-current liabilities	**111,957**	80,664
Bank and other borrowings shown under current liabilities	**99,599**	21,353

The ranges of effective interest rates on the Group's borrowings are as follows:

	2022	2021
Fixed-rate borrowings	**1.07% to 10.0%**	1.07% to 5.07%

Included in the bank borrowings balance as at 31 March 2022 are secured bank borrowings of approximately HK$24,542,000 (2021: HK$10,303,000) which were secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse.

Included in the other borrowings balance as at 31 March 2022 are borrowings of approximately HK$9,496,000 (2021: HK$Nil) which was secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse, approximately HK$60,000,000 (2021: HK$Nil) which was secured by the Company's shares held by Bright Rise Enterprises Limited (wholly-owned by Mr. CHONG Heung Chung Jason), and approximately HK$12,876,000 (2021: HK$14,037,000) which was secured by the long-term rental deposits.

36. Bonds

During the year ended 31 March 2022, the Company issued bonds at par in an aggregate principal amount of approximately HK$83,300,000 (2021: HK$72,900,000). The bonds outstanding as at 31 March 2022 and 2021 are denominated in HK$ and are unlisted. The bonds are unsecured and carry interest at nominal rates ranging from 5% to 9% (2021: 5.5% to 9%) per annum, payable annual/semi-annual/monthly in arrears and will be matured within 0.5 to 4 years (2021: 0.5 to 4 years).

The proceeds from issuance of the bonds were utilised for development of the indoor theme park business and general working capital of the Group.

The Group's bonds payable with aggregate principal amounts of approximately HK$128,300,000 were overdue for repayment as at 31 March 2022 and together with the overdue interests thereon of approximately HK$13,280,000 were not repaid as at 31 March 2022.

37. Deferred Tax Liabilities

The followings are the deferred tax liabilities recognised and movement thereon during the current and prior years:

	Fair value adjustment on business combination HK$'000
At 1 April 2020	2,340
Credit to profit or loss	(1,314)
Exchange difference	(116)
At 31 March 2021	910
Credit to profit or loss	(845)
Exchange difference	(65)
At 31 March 2022	–

The Group had unused tax losses of approximately HK$467,409,000 at 31 March 2022 (2021: HK$493,707,000), which is available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$154,017,000 (2021: HK$195,276,000) under PRC Corporate tax that will expire between 2022 and 2027 (2021: between 2021 and 2026) and unrecognised tax losses under Japan Corporate tax of approximately HK$289,798,000 (2021: HK$276,684,000) that will expire between 2025 and 2028 (2021: between 2025 and 2028). Other losses may be carried forward indefinitely.

38. Retirement Benefit Obligations

Defined benefit plans

The Group sponsors a funded defined benefit plan for all qualifying employees of its subsidiary in Japan.

The plan in the Japan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2022 by Willis Towers Watson, Fellow of the Institute of Actuaries in Japan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022	2021
Discount rate	**1.1%**	1.2%
Rate for salary increase	**Salary index**	Salary index
Pension increases for deferred benefits	**5.5%**	5.5%

38. Retirement Benefit Obligations (Continued)

Defined benefit plans (Continued)

The actuarial valuation showed that the market value of plan assets was HK$37,433,000 (2021: HK$38,323,000).

However, as the Group is not entitled to unconditional right of refund on the defined benefit plan, the Group does not recognise retirement benefit assets from the defined benefit plan based on the excess of market value of plan assets measured by Willis Towers Watson over the defined benefit obligation and the effect of the asset ceiling is accounted for as remeasurement of the defined benefit obligation.

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2022 HK$'000	2021 HK$'000
Service cost:		
Current service cost	1,833	2,001
Net interest expense	(83)	(9)
Components of defined benefits costs recognised in profit or loss	1,750	1,992
Remeasurement on the net defined benefit liabilities:		
Loss on plan assets (excluding amounts included in net interest expense and including the effect of asset ceiling)	330	2,610
Actuarial loss/(gain) arising from experience adjustments	1,038	(1,486)
Components of deferred benefit cost recognised in other comprehensive income	1,368	1,124
Total	3,118	3,116

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2022 HK$'000	2021 HK$'000
Present value of funded defined benefit obligations	37,433	38,323
Fair value of plan assets	(37,433)	(38,323)
Defined benefit obligation	–	–

38. Retirement Benefit Obligations (Continued)

Defined benefit plans (Continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2022 HK$'000	2021 HK$'000
Defined benefit obligation at 1 April	**38,323**	35,981
Current service cost	**1,833**	2,001
Interest cost	**375**	208
Remeasurement gains:		
Actuarial gains arising from change in financial assumptions	**(1,152)**	(3,050)
Effect of asset ceiling (Note 1)	**1,482**	5,660
Benefits paid	**(110)**	(1,871)
Exchange differences on foreign plan	**(3,318)**	(606)
Defined benefit obligation at 31 March	**37,433**	38,323

Note:

1. As the Group is not entitled to an unconditional refund of surplus or reduction of future contribution, the defined benefit obligations are remeasured to account for the effect of asset ceiling and charged immediately to the other comprehensive income.

Movements in the present value of the plan assets in the current year were as follows:

	2022 HK$'000	2021 HK$'000
Fair value of plan assets at 1 April	**38,323**	35,919
Interest income	**458**	217
Remeasurement gains		
(Loss)/return on plan assets (excluding amounts included in net interest expense)	**(1,038)**	1,486
Contributions from the employers	**3,118**	3,177
Exchange differences on foreign plans	**(3,318)**	(605)
Benefits paid	**(110)**	(1,871)
Fair value of plan assets at 31 March	**37,433**	38,323

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "**Scheme**") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes the lower of 5% of relevant payroll costs or HK$1,500 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

Contributions to the schemes for the year ended 31 March 2022 made by the Group amounted to HK$9,571,000 (2021: HK$10,045,000).

39. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives

On 31 December 2016, China Theme Park Limited ("**CTP**"), a wholly-owned subsidiary of the Company, entered into a shareholders agreement (the "**Shareholders Agreement**") with the non-controlling interest of CA Sega Joypolis Limited ("**CA Sega**"), namely Sega Sammy Holdings Inc. ("**Sega Sammy**"), pursuant to which CTP granted a put option to Sega Sammy for the rights to oblige the Group, to purchase the remaining 14.9% equity interest of CA Sega.

The put option is exercisable by Sega Sammy from the third anniversary of the completion date of the acquisition of subsidiaries, being 1 January 2017 ("**Completion Date**"), until the date immediately before the fifth anniversary of the Completion Date at a put price of Japanese yen ("**JPY**") 105,052,748 (equivalent to approximately HK$7.44 million) (the "**First Tranche**") or the put option is exercisable from the fifth anniversary of the Completion Date until the date immediately before the sixth anniversary of the Completion Date at a put price of JPY210,105,496 (equivalent to approximately HK$14.88 million) (the "**Second Tranche**"). On 1 January 2022, the Company, Sega Sammy and CA Sega entered into an amendment to the Shareholders Agreement, such that all the terms and conditions set forth in the original Shareholders Agreement will be transferred to the amended Shareholders Agreement and remain in full force and effect, except that the Second Tranche of the put option will be exercisable by Sega Sammy on or after the fifth anniversary of 1 January 2022 (i.e. 31 December 2026).

At initial recognition, the gross obligation arising from a put option to a non-controlling interest is measured at present value of the estimated repurchase price at an applicable discount rate. This amount had been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interest at 31 March 2017.

In addition, the put option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary is treated as derivative financial instruments and is recognised at fair value in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

The fair value of the put option derivatives of CA Sega Group as at 31 March 2022 and 2021 has been determined by using a Binominal Option Pricing Model performed by Vincorn (2021: Vision Appraisal and Consulting Limited), which used the exercise price, risk free rate, exercise period, unaudited consolidated net asset value and cash flow forecast of CA Sega Group, adjustment to future stock price and volatility as key inputs.

The movements of the obligation arising from a put option to non-controlling interests and put option derivative are set as below:

	Obligation arising from a put option HK$'000	Put option derivative HK$'000	Total HK$'000
At 1 April 2020	7,507	440	7,947
Fair value change	(4,442)	1,077	(3,365)
At 31 March 2021	3,065	1,517	4,582
Fair value change	10,311	(1,517)	8,794
At 31 March 2022	13,376	–	13,376

Net loss of approximately HK$8,794,000 (2021: net gain of HK$3,365,000) was recognised in other gains and losses of the consolidated profit or loss for the year ended 31 March 2022.

39. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives (Continued)

Key inputs used in the model	2022	2021
Risk-free rate (note i)	0.004%	–0.13%
Time to expiration (note ii)	4.8 years	1.8 years
Volatility (note iii)	40.0%	40.0%
Fair value of underlying shares	JPY2,716,000	JPY166,460,000

Notes:

(i) The risk-free rate is with reference to the yields of Japan Sovereign Curve as at the valuation date.

(ii) Time to expiration represents the duration to maturity date which is the date immediately before 31 December 2026 (2021: the sixth anniversary of the Completion Date).

(iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock for 4.8 years (2021: 1.8 years).

40. Share Capital

	Number of shares of HK$0.1 each	Share capital HK$'000
Authorised:		
At 1 April 2020, 31 March 2021 and 31 March 2022	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2020	920,062,000	92,006
Issue of shares upon acquisition of subsidiary (Note 41)	44,000,000	4,400
Extinguishment of financial liabilities by issue of ordinary shares (Note 19d)	17,640,000	1,764
At 31 March 2021	981,702,000	98,170
Share swap (note ii)	4,000,000	400
Share issued under placing agreement (iii)	86,000,000	8,600
Cancellation of subscription shares (iv)	(86,000,000)	(8,600)
Debt capitalisation (note v)	196,340,000	19,634
At 31 March 2022	1,182,042,000	118,204

Notes:

(i) All the shares issued ranked pari passu in all respects with the then existing shares in issue.

(ii) On 8 September 2021, the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which included in financial assets at fair value through other comprehensive income. For details please refer to the announcements to the Company dated 24 August 2021 and 8 September 2021.

(iii) On 1 September 2021 (after trading hours), ACCP Global Limited (the "**Subscriber**") and the Company entered into the conditional subscription agreement ("**Subscription Agreement**") pursuant to which the Company has conditionally agreed to allot and issue 86,000,000 subscription shares ("**Subscription Shares**") at the subscription price of HK$2.50 per Subscription Share. The Subscription Shares have been issued and allotted to the Subscriber on 29 September 2021. For details, please refer to the announcements to the Company dated 1 September 2021 and 8 December 2021.

40. Share Capital (Continued)

Notes: (Continued)

(iv) With regard to the Subscription Agreement, the 86,000,000 Subscription Shares were expected to be received by the Subscriber in two batches, first batch being 40,000,000 Subscription Shares (the "**First Batch Shares**") and the second batch being 46,000,000 Subscription Shares (the "**Second Batch Shares**"), and the First Batch Shares were received by the Subscriber on 29 September 2021.

On 4 October 2021, due to the Subscriber's default in payment of the consideration to the Subscription Shares, Mr. Chong Heung Chung Jason ("**Mr. Chong**") has expressed the intention (the "**Intention**") to terminate the Subscription Agreement. In response to such Intention, the Subscriber requested during a meeting that the Subscription Shares to be divided into further sub-batches such that the First Batch Shares would be divided into (i) 1st sub-batch of 20,000,000 Subscription Shares, payment for which in the amount of HK$50,000,000 ("**Sum**") were agreed to be taken place on 5 October 2021; and (ii) 2nd sub-batch of 20,000,000 Subscription Shares. On 26 October 2021, the Subscriber's legal adviser returned the First Batch Shares to the Company's legal adviser in the form of four share certificates (each representing 10,000,000 Subscription Shares), while the Second Batch Shares remained in the Company's physical custody since 29 September 2021.

On 28 December 2021, the Board of Directors has resolved to cancel the Subscription Shares, and which have ceased to exist as part of the Company's issued share capital on 28 December 2021.

For details, please refer to the announcements to the Company dated 8 December 2021, 10 December 2021 and 28 December 2021.

(v) On 29 December 2021, Bloom Fort Limited (the "**Creditor**"), an independent third party of the Group, and the Company entered into the settlement deed pursuant to which the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 98,170,000 Settlement Shares at the Settlement Price of HK$0.405 per Settlement Share. The subscription amount payable by the Creditor under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor in an aggregate amount of approximately HK$40,020,000 as at the date of the settlement deed.

Details of the debt capitalisation arrangement with Creditor were contained in the Company's announcements dated 29 December 2021, 30 December 2021, 12 January 2022 and 14 January 2022.

On 23 February 2022, the following settlement deeds are entered into by the Company:

(a) Trillion Joint Group Limited ("**Creditor A**"), an independent third party of the Group, and the Company entered into settlement deed, pursuant to which the Company has conditionally agreed to allot and issue, and Creditor A has conditionally agreed to subscribe 55,670,000 Settlement Shares at the Settlement Price of HK$0.170 per Settlement Share. The subscription amount payable by Creditor A under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor A in an aggregate amount of approximately HK$9,572,000 as at the date of the settlement deed; and

(b) Mr. Wong Yu Man James ("**Creditor B**"), an independent third party of the Group, and the Company entered into settlement deed, pursuant to which the Company has conditionally agreed to allot and issue, and Creditor B has conditionally agreed to subscribe 42,500,000 Settlement Shares at the Settlement Price of HK$0.170 per Settlement Share. The subscription amount payable by Creditor B under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor B in an aggregate amount of approximately HK$7,235,000 as at the date of the settlement deed.

Details of the debt capitalisation arrangement with Creditor were contained in the Company's announcements dated 23 February 2022 and 3 March 2022.

41. Acquisition of Assets and Liabilities through Acquisition of a Subsidiary

On 23 April 2020, the Company entered into the sale and purchase agreement (the "**S&P Agreement**"), as amended by a supplemental S&P Agreement dated 16 June 2020, respectively with Mr. Liu Zhongsheng (the "**Vendor**") and Flourishing Emerald Limited (the "**Flourishing Emerald**") in respect of the acquisition of Flourishing Emerald, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of Flourishing Emerald.

On 22 June 2020, the acquisition was completed as the conditions precedent to the completion had been fulfilled on 19 June 2020. The consideration is satisfied by the issue of 44,000,000 shares of the Company (the "**Consideration Shares**"). The fair value of the Consideration Shares on 19 June 2020, when the conditions precedents were met, amounted to HK$105,600,000. The fair value of the Consideration Shares was determined by reference to the published closing price of HK$2.4 at the date of the conditions precedents were met.

Flourishing Emerald is principally engaged in investment holding and through certain VIE arrangements, Flourishing Emerald has effective control over and beneficially entitled to the entire interest of 深圳市華利達玩具禮品有限公司 ("**深圳華利達**"), Flourishing Emerald and 深圳華利達 are collectively referred to as the "**Flourishing Emerald Group**"). Immediately before the date of acquisition, 深圳華利達 only held certain intangible assets and property, plant and equipment, and the management of the Group concluded that the acquired set of activities and assets do not constitute a business.

The identifiable assets of the acquiree acquired and liabilities assumed as at the date of acquisition, which were determined based on the fair value of the equity instruments granted, were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	27,326
Trade and other receivables	31,910
Intangible assets	46,364
Total identifiable net assets at fair value	105,600
Consideration	105,600
Less: Fair value of net assets acquired	(105,600)
Total purchase consideration satisfied by:	
Issuance of new shares at fair value	105,600
Net cash inflow arising on acquisition	
Cash consideration	–
Cash and cash equivalents acquired	–
	–

42. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which include the bank and other borrowings, guaranteed note, bonds and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group will balance its overall capital structure through the payment of dividends and the issue of new shares as well as the issue of new debts or the redemption of existing debts.

The Group is not subject to any externally imposed capital requirements.

43. Financial Instruments

a. Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised costs	389,418	641,188
Financial assets at FVTPL	839	805
Financial assets at FVTOCI	12,825	48,007
	403,082	690,000
Financial liabilities		
Financial liabilities at amortised cost	884,176	780,668
Financial liabilities at FVTPL	–	1,517
	884,176	782,185

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, trade receivables, other receivables and deposits, restricted bank balances, pledged bank deposits, bank balances and cash, trade payables, other payables and accruals, amount due to a director, guaranteed note, bonds, bank and other borrowings, lease liabilities, obligation arising from a put option to a non-controlling interest and put option derivatives. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the group entities are mainly bank balances and cash, pledged bank deposits, trade payables, secured bank borrowings, obligation arising from a put option to a non-controlling interest and put option derivatives at the reporting date. The directors of the Company consider the Group's exposure to US$ currency risk is minimal since HK$ is pegged to US$. The directors of the Company consider that the Group's exposure on other foreign currency risk is insignificant, accordingly no sensitivity analysis has been presented. The management of the Group continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

(ii) Interest rate risk

The Group's cash flow interest rate risk and fair value interest rate risk relate primarily to its floating-rate bank balances, fixed-rate bank and other borrowings, guaranteed note, obligation arising from a put option to a non-controlling interest, lease liabilities and bonds respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with transactions relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise. In the opinion of management of the Group, the effects of expected changes in interest rates on bank balances will not be significant in the near future, hence, sensitivity analysis is not presented.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted equity investments and convertible notes classified as FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in two industry sectors quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted and unlisted equity investments at the reporting date:

If the prices of the respective quoted equity instruments had been 10% (2021: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK$870,000 (2021: HK$801,000) as a result of the changes in the fair value of financial assets at FVTOCI.

If the prices of the respective unlisted equity instruments had been 10% (2021: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK$413,000 (2021: HK$4,000,000) as a result of the changes in the fair value of financial assets at FVTOCI.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, deposits, amount due from a joint venture, pledged bank deposits, restricted bank balances and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The Group had certain credit risk as 42% (2021: 52%) and 92% (2021: 90%) of the total trade receivables as at 31 March 2022 were due from the Group's largest customer and the five largest customers respectively, which arose in the establishment and operation of indoor theme parks segment and sales of animation derivative products business segment. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and credibility of these debtors on ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally allows a credit period ranging from 30 days to 90 days to its customers of sales of animation derivative products except certain customers with strategic business relationship which are granted a longer credit period of 180 days. For customers which obtained licensing services from the Group, the Group allows a credit period ranging from 90 to 365 days. The Group allows a credit period of 365 days to its customer with strategic business relationship who obtained these park design and consultancy services from the Group. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The Group also performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to current past due exposure. Impairment loss of approximately HK$85,455,000 (2021: Reversal of impairment of approximately HK$6,823,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Pledged bank deposits, restricted bank balances and bank balances

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables

The credit risk on deposits and other receivables is also limited because of the historical settlement record, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2022 and 2021. The amounts presented are the gross carrying amounts for financial assets.

2022	**Notes**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount HK$'000**
Financial assets at amortised costs				
Pledged bank deposits	22	**N/A**	**12-month ECL**	**3,725**
Bank balances and cash	28	**N/A**	**12-month ECL**	**20,955**
Restricted bank balances	22	**N/A**	**12-month ECL**	**718**
Trade receivables	24	**(note i)**	**Lifetime ECL**	**268,762**
Other receivables and deposits	25	**Normal (note ii)**	**12-month ECL**	**6,333**
	25	**Doubtful (note ii)**	**Lifetime ECL**	**298,127**
		Credit Impaired	**Lifetime ECL**	**337,613**

2021	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Pledged bank deposits	22	N/A	12-month ECL	3,565
Bank balances and cash	28	N/A	12-month ECL	56,012
Restricted bank balances	22	N/A	12-month ECL	4,523
Trade receivables	24	(note i)	Lifetime ECL	236,496
Other receivables and deposits	25	Normal (note ii)	12-month ECL	203,639
	25	Doubtful (note ii)	Lifetime ECL	153,102

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the Group determines the ECL on these items by past due status.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables (Continued)

Notes: (Continued)

(ii) The credit quality of the financial assets included in deposits and other receivables is considered to be "normal" when they are not past due or past due within 30 days and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful". Financial assets are "Credit Impaired" when one or more events of default that have a detrimental impact on the estimated future cash flow of that financial asset have occurred.

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Average loss rate %	Not past due or past due below 30 days HK$'000	Average loss rate %	More than 30 days past due HK$'000	Average loss rate %	Credit Impaired HK$'000	Total HK$'000
At 31 March 2022							
Other receivables and deposits	0	6,333	39.29	298,127	100	337,613	642,073
At 31 March 2021							
Other receivables and deposits	0.90	203,639	2.65	153,102	N/A	N/A	356,741

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Analysis of trade receivables by categories based on method of provision for credit loss allowance.

HK$'000

Category	2022 Gross carrying amount Amount	Gross carrying amount Proportion (%)	Credit loss allowance Amount	Credit loss allowance Proportion (%)	Carrying amount	2021 Gross carrying amount Amount	Gross carrying amount Proportion (%)	Credit loss allowance Amount	Credit loss allowance Proportion (%)	Carrying amount
Provision on individual basis										
– Trade receivables	156,000	58	(61,288)	39.3	94,712	–	–	–	–	–
Provision on portfolio basis										
– Trade receivables	112,762	42	(37,420)	33.2	75,342	236,496	100	(10,253)	4.34	226,243
Total	268,762	100	(98,708)	–	170,054	236,496	100	(10,253)	–	226,243

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

(i) Analysis of trade receivables for which credit loss allowance is provided on an individual basis:

HK$'000

	2022 Closing Balance			
Item	Gross carrying amount	Credit loss allowance	Proportion (%)	Reason for provision
Trade receivables 1	39,400	(15,479)	39.3	Note (i)
Trade receivables 2*	47,600	(18,701)	39.3	Note (i)
Trade receivables 3*	40,000	(15,715)	39.3	Note (i)
Trade receivables 4*	29,000	(11,393)	39.3	Note (i)
	156,000	(61,288)		

* The following pairs represent each of the same party.

Trade receivables 2, 3 and 4.

Description of trade receivables for which credit loss allowance is provided on an individual basis:

Notes:

The Group considered the reasonable and supportable evidence and information (including forward-looking information) available in relation to the counterparty, to assess the expected credit losses and recognised the loss allowance accordingly.

(i) The management believes a higher default rate is necessary in respect of this trade receivable as there were internal changes of debtor in respect of this trade receivable.

(ii) Analysis of trade receivables for which credit loss allowance is provided on collective basis:

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount	2022		2021	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables
Current (not past due)	20.8%	29,502	0%	195,582
Within 90 days past due	2.16%	28,896	1.26%	13,643
91 days to 180 days past due	3.71%	280	2.98%	8,465
181 days to 365 days past due	39.25%	17,958	50%	17,954
Over 365 days past due	100%	36,126	100%	852
		112,762		236,496

During the year ended 31 March 2022, the Group provided approximately HK$37,420,000 (2021: HK$10,253,000) impairment allowance for trade receivables, based on the provision matrix.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL HK$'000
As at 1 April 2020	17,076
Reversal of impairment losses	(6,823)
As at 31 March 2021	10,253
Impairment losses	88,455
As at 31 March 2022	**98,708**

The following significant changes in gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– increase in days past due over 365 days resulted in an increase in loss allowance of approximately HK$28,000,000 (2021: decrease in loss allowance of approximately HK$8,321,000).

– Higher default rates applied to the trade receivables for which credit loss allowance is provided on an individual basis as shown in (i) above resulted in an increase in loss allowance of approximately HK$61,288,000 (2021: N/A).

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL (normal) HK$'000	Lifetime ECL (doubtful) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2020	4,300	–	–	4,300
(Reversal of)/provision for impairment losses recognised	(2,463)	4,059	–	1,596
As at 31 March 2021	1,837	4,059	–	5,896
(Reversal of)/provision for impairment losses recognised	(1,837)	113,065	337,613	448,841
As at 31 March 2022	–	117,124	337,613	454,737

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and guaranteed note and ensures compliance with covenants of loan and guaranteed note.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest, if applicable, and principal cash flows.

	Weighted average effective interest rate %	On demand or within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2022						
Non-derivative instruments						
Trade payable	–	15,522	–	–	15,522	15,522
Other payables and accruals	–	111,791	–	–	111,791	111,791
Bonds	14.31	354,891	82,301	–	437,192	385,997
Guaranteed notes	8	20,800	–	–	20,800	20,000
Bank borrowings	2.18	20,587	65,917	31,557	118,061	115,540
Other Borrowings	7.34	81,542	16,903	–	98,445	96,016
Lease liabilities	11.51	38,449	92,958	776	132,183	125,636
Long-term other payable	–	–	298	–	298	298
Obligation arising from a put option to a non-controlling interest (note)	–	–	13,376	–	13,376	13,376
		643,582	271,753	32,333	947,668	884,176
At 31 March 2021						
Non-derivative instruments						
Trade payable	–	1,367	–	–	1,367	1,367
Other payables and accruals	–	80,893	–	–	80,893	80,893
Amount due to a director	–	562	–	–	562	562
Bonds	17.07	232,206	207,710	–	439,916	358,101
Guaranteed notes	12.59	83,800	–	–	83,800	78,991
Bank borrowings	1.58	22,637	40,741	32,749	96,127	87,980
Other Borrowings	1.92	269	14,709	–	14,978	14,037
Lease liabilities	6.06	44,750	130,475	–	175,225	155,077
Long-term other payable	–	–	595	–	595	595
Obligation arising from a put option to a non-controlling interest (note)	–	–	14,753	–	14,753	3,065
		466,484	408,983	32,749	908,216	780,668

Note: The amount represents the maximum exposure on the put price if the put option had been exercised on or after the fifth anniversary of the Completion Date and until the day immediately before the sixth anniversary of Completion Date.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value as at 31.3.2022 HK$'000	Fair value as at 31.3.2021 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI – listed equity	Asset – HK$8,700	Asset – HK$8,007	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTOCI – unlisted equity	Asset – HK$4,125 (Note)	Asset – HK$40,000	Level 3	Present value of the expected cash flow derived from the ownership of this investee	Discount for lack of marketability of 30%. Discount rate of 15%, which is based on WACC of comparable companies.	An increase in the discount on lack of marketability would result in a decrease in fair value, and vice versa. An increase in the discount rate would result in a decrease in the fair value, and vice versa.
Financial assets at FVTPL – structured deposits	Asset – HK$839	Asset – HK$805	Level 3	Discounted cash flows	Expected yields and discounts rate that reflects the credit risk of the bank.	An increase in the expected yield would result in an increase in fair value, and vice versa. An increase in the discount rate would result in a decrease in the fair value, and vice versa.

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)

Financial assets/liabilities	Fair value as at 31.3.2022 HK$'000	Fair value as at 31.3.2021 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Put option derivatives	Liability – HK$–	Liability – HK$1,517	Level 3	Binomial Option Pricing Model The key inputs are the exercise price, risk-free rate, exercise period, and volatility of the daily return of comparative stock.	Equity value of CA Sega Group is derived by income approach. The key inputs are unaudited consolidated net asset value and cash flow forecast of CA Sega Group and expected return from the investors of 18.0% (2021: 18.0%) per annum developed using Capital Asset Pricing Model. Volatility is based on the average of the implied volatility of the comparable stocks of 40.0% (2021: 40.0%).	An increase in the forecasted profit would result in a decrease in the fair value, and vice versa. An increase in the expected return from the investors would result in an increase in the fair value, and vice versa. An increase in the volatility would result in an increase in the fair value, and vice versa.

Note: Subsequent to the end of the reporting period, the Group and an independent third party (the "**Purchaser**") entered into the equity transfer agreement, pursuant to which, the Group has agreed to transfer, and Purchaser has agreed to acquire all of the Investment (defined in Note 21) held by the Group with the amount of HK$3,800,000, and the fair value of the financial assets at FVTOCI as at 31 March 2022 was measured with the contract price adjusted for change in market multiples from 31 March 2022 to the disposal date.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
At 1 April 2020	–	–	–
Total gains:			
– in profit or loss	–	37,681	37,681
– in other comprehensive income	–	–	–
Purchased	40,000	2,386	42,386
Disposals	–	(39,262)	(39,262)
At 31 March 2021	40,000	805	40,805
Total gains:			
– in profit or loss	–	34	34
– in other comprehensive income	(35,875)	–	(35,875)
At 31 March 2022	4,125	839	4,964

43. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents the put option derivative relating to the purchase of the remaining 14.9% equity interest of CA Sega (see Note 39 to the consolidated financial statements). A gain of approximately HK$1,517,000 (2021: loss of HK$1,077,000) has been recognized in the other gains and losses of the consolidated financial statements for the year ended 31 March 2022 in respect of the put option derivative.

Of the total gains or losses for the period included in profit or loss, HK$34,000 (2021: HK$63,000) relates to financial assets designated as at FVTPL and HK$1,517,000 (2021: HK$1,077,000) relates to financial liability measured at fair value held at the end of the current reporting period. Fair value gains or losses on financial assets designated as at FVTPL and financial liability at FVTPL are included in 'other gains and losses'.

c. Forward contract for hedging financial assets at FVTOCI

The Group enters into forward contract, when considered appropriate, to manage the fair value risk associated with the holding of certain equity instruments classified as financial assets at FVTOCI.

During the year ended 31 March 2021, the Group has designated the 2 forward contracts, details of which are disclosed in Note 21(i), as a hedge of 372,585,332 listed shares of Aceso Life included in its investment in the Aceso shares classified as financial assets at FVTOCI, as detailed in Note 21(i) to the consolidated financial statements, in order to reduce the exposure of fair value risk to the Aceso shares.

The following table details the effectiveness of the hedging relationship and summarize the effect of the hedge accounting on financial position and performance of the Group for the year ended 31 March 2021.

				Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness		
Fair Value Hedges	Notional amount of hedging instruments HK$'000	Carrying amount of hedged items HK$'000	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK$'000	Hedging instruments HK$'000	Hedged items HK$'000	Hedge ineffectiveness charged to other comprehensive income HK$'000
At 31 March 2021						
Financial asset at FVTOCI	–	–	–	(65,202)	74,144	8,492

44. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings HK$'000	Amount due to a director HK$'000	Bonds HK$'000	Guaranteed note HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2020	51,323	897	370,487	99,267	171,181	693,155
Financing cash flows	50,090	218	(80,083)	(31,265)	(46,079)	(107,119)
Non-cash transactions						
Modification of lease	–	–	–	–	16,036	16,036
Gain on early termination of lease	–	–	–	–	(800)	(800)
Foreign exchange translation	(758)	(553)	–	–	6,128	4,817
Finance costs	1,362	–	67,697	10,989	8,611	88,659
At 1 April 2021	102,017	562	358,101	78,991	155,077	694,748
Financing cash flows	109,994	(562)	(31,633)	(64,742)	(45,335)	(32,278)
Non-cash transactions						
Modification of lease	–	–	–	–	7,648	7,648
Foreign exchange translation	(7,567)	–	–	–	–	(7,567)
Finance costs	7,112	–	59,529	5,751	8,246	80,638
At 31 March 2022	**211,556**	**–**	**385,997**	**20,000**	**125,636**	**743,189**

44. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Major non-cash transactions

Year ended 31 March 2022

During the year ended 31 March 2022, the Group had the following material non-cash transactions:

(i) As disclosed in Note 40(ii), the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which included in financial assets at FVTOCI.

(ii) As disclosed in Note 40(v), the Company had debt capitalisation arrangements with Creditor during the year.

Year ended 31 March 2021

During the year ended 31 March 2021, the Group had the following material non-cash transactions:

(i) As disclosed in Note 19(b), the acquisition of the associate, Triple Blessing, at a consideration of approximately HK$66,298,000 was satisfied by the Convertible Notes issued by Aceso Life in principal amount of HK$50,000,000 with fair value of approximately HK$66,298,000 held by the Group as financial assets at FVTPL.

(ii) As disclosed in Note 19(c), the acquisition of the associate, Access Profit, at a consideration of approximately HK$94,000,000 was satisfied by the Group's issuance of bonds at face value of HK$94,000,000.

(iii) As disclosed in Note 19(d), the acquisition of the associate, Lion Run, at a consideration of approximately HK$44,100,000 was satisfied by the Consideration Bond.

(iv) As disclosed in Note 21(i), the Group has signed the forward contracts with the 2 Parties to sell 372,585,332 listed ordinary shares of Aceso Life at forward price of HK$0.225 per share (aggregate contracted value of approximately HK$83,832,000) and transferred the Aceso Convertible Notes of aggregate principal amount of HK$10,000,000 at fair value of HK$15,652,000 to the 2 Parties to redeem the Bonds of aggregate principal amount HK$94,000,000 previously issued to the 2 Parties as consideration for acquisition of Access Profit, as mentioned in Note (ii) above and Note 19(c).

(v) As disclosed in Note 21(ii), the Group entered into a subscription agreement to subscribe for shares of a limited partnership at consideration of HK$40,000,000, which was satisfied by transferring the Aceso Convertible Note of aggregate Principal amount of HK$40,000,000 with fair value measured to be approximately HK$40,000,000 held by the Group as financial assets FVTPL.

(vi) As disclosed in Note 41, the acquisition of assets and liabilities through acquisition of the subsidiary, Flourishing Emerald, at a consideration of approximately HK$105,600,000 was satisfied by the Company's issuance of 44,000,000 new ordinary shares at issue price of HK$2.4 per share.

45. Capital Commitments

The Group does not have material capital commitment as at 31 March 2022 and 2021.

46. Related Party Disclosures

(a) Related party transactions

During the current year, the Group entered into the following transactions with related parties, certain of whom are also deemed to be connected parties pursuant to the Listing Rules. Significant transactions with these parties during the year are as follows:

Name of party	Relationship	Nature of transaction	2022 HK$'000	2021 HK$'000
Sega Holdings Co., Ltd.	Subsidiary of a non-controlling Shareholder	Licensing fee	1,428	1,191
Chong Heung Chung Jason	Substantial shareholder	Rental expense for premises	235	148

(b) Guarantees provided by related parties and pledges over assets of related parties

Details of personal guarantees provided by related parties and details of pledges over assets of related parties in connection with the guaranteed note and bank borrowings are set out in Notes 33 and 35.

(c) Details of the outstanding balances with other related parties are set out in the consolidated statement of financial position.

(d) Compensation of key management personnel

The remuneration of key management personnel which represent the executive directors and key executives of the Company during both years was as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	6,741	7,676
Retirement benefit schemes contribution	79	116
Incentive performance bonuses	283	715
Share-based payments expense	520	–
	7,623	8,507

The remuneration of the key executives is determined having regard to the performance of individuals and market trends.

47. Share-Based Payments

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 16 February 2015 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("**Eligible Participants**") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 15 February 2025. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares of each Eligible Participant in respect of which options that may be granted under the Scheme is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by each grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share on the date of grant.

At 31 March 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 42,910,000, representing 3.6% of the shares of the Company in issue at that date.

As at 31 March 2021, all share options granted were expired unexercised and forfeited.

Details of specific categories of options are as follows:

		Number of share options									
			During the period								
Category of grantees	Date of grant of share options	Outstanding as at 1 April 2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 March 2022	Vesting period of shares options	Exercisable period of shares options	Exercise price per share HK$	Closing price per share immediately before the date of grant HK$
Directors	28 February 2022	–	6,434,000	–	–	–	6,434,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
Consultants	28 February 2022	–	3,223,000	–	–	–	3,223,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
Employees	28 February 2022	–	33,253,000	–	–	–	33,253,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
		–	42,910,000	–	–	–	42,910,000				
Exercisable at the end of the year							42,910,000				
Weighted average exercise price (HK$)							0.171				

47. Share-Based Payments (Continued)

Equity-settled share option scheme of the Company (Continued)

The fair value of the options granted on 28 February 2022 was approximately HK$2,562,000. The fair value was calculated using the Binomial option pricing model. The inputs into the model were as follows:

Closing price of the Company's shares on grant date	HK$0.163
Exercise price	HK$0.171
Risk-free rate*	0.92%
Expected volatility	118.31%
Expected dividend yield	0%

* Risk-free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the grant date.

Expected volatility was determined with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price.

During the year ended 31 March 2022, the Group recognised the total expense of HK$2,562,000 (2021: HK$Nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

48. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March 2022 %	2021 %	Principal activities
Directly held					
China Animation Holding (BVI) Limited 華夏動漫集團（英屬處女島）有限公司	BVI	US$1	100	100	Investment holding
Indirectly held					
China Animation Group Limited 華夏動漫集團有限公司	BVI	HK$1,000,000	100	100	Investment holding and sales of animation derivative products
China Animation Group (HK) Limited 華夏動漫集團（香港）有限公司	Hong Kong	HK$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	BVI	US$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	Hong Kong	HK$1	100	100	Investment holding and operation of multimedia animation entertainment
深圳華爾德動漫科技有限公司 Shenzhen Wald Animation Technology Company Ltd*#	PRC	RMB500,000	100	100	Animation derivative product design, sales of animation derivative products and multimedia animation entertainment
China Theme Park Limited 中國主題樂園有限公司	BVI	US$1	100	100	Investment holding and promotion and development of indoor theme park business
China Theme Park Incorporation Limited 華夏樂園有限公司	Hong Kong	HK$1	100	100	Investment holding and promotion and development of indoor theme park business
Animate China Technology Limited 華夏動漫科技有限公司	BVI	US$1	100	100	Operation of multimedia animation entertainment
Animate China Technology (HK) Limited 華夏動漫科技（香港）有限公司	Hong Kong	HK$1	100	100	Operation of multimedia animation entertainment
China Animation IP Limited 中國動漫知識產權有限公司	BVI	US$1	100	100	Inactive
華嘉泰（上海）室內遊樂有限公司 HuaJiatai (Shanghai) Indoor Amusement Co., Ltd.*v	PRC	RMB60,000,000	100	100	Operation of indoor theme park in the PRC

48. Particulars of Principal Subsidiaries of the Company (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March 2022 %	2021 %	Principal activities
CA Sega*	Japan	JPY100,000,000	85.1	85.1	Operation of indoor theme park in Japan
華夏世嘉(青島)娛樂遊藝有限公司 CA SEGA (Qingdao) Entertainment Park Co., Ltd*#	PRC	US$17,000,000	85.1	85.1	Operation of indoor theme park in the PRC
Walita Toys (Cambodia) Co., Ltd.	Cambodia	US$485,000	100	100	Manufacturing and trading of animation derivative products
CAG Tactics Cultural Enterprise Company Limited 華夏韜略文化產業有限公司	Hong Kong	HK$10,000	100	100	Inactive
玩得福有限公司 Wonderful Company Limited*v	PRC	RMB100,000,000	100	100	Inactive
華嘉益文化傳播(深圳)有限公司 Huajiayi Cultural Communication (Shenzhen) Company Limited*v	PRC	RMB4,000,000	51 Note (iii)	51 Note (iii)	Operation of indoor children playground in the PRC
深圳市玩得樂兒童樂園有限公司 Shenzhen Wonderful Theme Park Company Limited*#	PRC	RMB10,000,000	100	100	Inactive
華嘉悦文化傳播(深圳)有限公司 Huajiayue Cultural Communication	PRC	RMB2,310,000	69 Note (iii)	69 Note (iii)	Operation of indoor children playground in the PRC
深圳市華誠檢品有限公司 Shenzhen Huacheng Product Inspection Company Limited	PRC	RMB100,000	100	100	Inspection of animation derivative products in PRC
Grand Peaceful Global Limited	BVI	US$21,000,000	100	100	Operation of multimedia animation entertainment
Flourishing Emerald Limited	BVI	HK$105,600,000	100	100	Operation of multimedia animation entertainment
深圳市華利達玩具禮品有限公司 (「深圳華利達」) (Note (i))	PRC	– ^	N/A Note (i)	N/A Note (i)	Investment holding

* The English name is for identification purpose only.
\# Established in the PRC in the form of wholly foreign-owned enterprise.
v Established in the PRC in the form of sino-foreign equity joint investment.
^ The registered capital of 深圳華利達 is RMB2.5 million but was not paid up to the date of these consolidated financial statements.

48. Particulars of Principal Subsidiaries of the Company (Continued)

Notes:

(i) The Group does not have any equity interest in 深圳華利達. However, the Group has entered into the contractual arrangements with 深圳華利達 and its equity holders, which enable the Group to (1) exercise effective financial and operational control over 深圳華利達; (2) exercise equity holders' voting rights of 深圳華利達; (3) receive substantially all of the economic interest returns generated by 深圳華利達 in consideration for the management services provided by the Group; (4) obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in 深圳華利達 from the respective equity holders. The right automatically renews upon expiry until the Group specifies a renewal term; and (5) obtain a pledge over the entire equity interest of 深圳華利達 from its respective equity holders as collateral security for all the payments due to the Group and to secure performance of 深圳華利達's obligations under the above contractual arrangements. Accordingly, the Group has rights to variable returns from its involvement with 深圳華利達 and has the ability to affect those returns through its power over 深圳華利達 and is considered to control 深圳華利達. Consequently, the Group regards 深圳華利達 as an indirect subsidiary under HKFRSs.

(ii) None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

(iii) The directors of the Company consider the non-wholly owned subsidiaries of the Group have no material non-controlling interest, and accordingly, no summarised financial information in respect of respective subsidiary has been presented.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

49. Details of Non-wholly-owned Subsidiary that has Material Non-controlling Interests

The table below shows details of the non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
				HK$'000	HK$'000	**HK$'000**	HK$'000
CA Sega Joypolis Limited and its subsidiary ("**CA Sega Group**")	PRC and Japan	**14.9%**	14.9%	**(8,686)**	(11,783)	**(12,633)**	(4,515)
Individually immaterial subsidiaries with non-controlling interests				**(1,596)**	(321)	**786**	2,313
				(10,282)	(12,104)	**(11,847)**	(2,202)

Summarised consolidated financial information in respect of CA Sega Group that has material non-controlling interests is set out below. The summarised consolidated financial information below, prepared in accordance with the significant accounting policies of the Group, represents amounts before intragroup eliminations.

49. Details of Non-wholly-owned Subsidiary that has Material Non-controlling Interests (Continued)

CA Sega Group

	2022 HK$'000	2021 HK$'000
Current assets	54,397	90,470
Non-current assets	77,669	96,966
Current liabilities	(62,904)	(64,224)
Non-current liabilities	(153,945)	(153,517)
Net liabilities	(84,783)	(30,305)
Accumulated deficit attributable to owners of the Company	(72,150)	(25,790)
Non-controlling interests	(12,633)	(4,515)
Total accumulated deficit	(84,783)	(30,305)
Revenue	104,798	87,636
Other income and gains	1,342	8,553
Expenses and taxation	(164,432)	(175,267)
Loss for the year	(58,292)	(79,078)
Loss attributable to owners of the Company	(49,606)	(67,295)
Loss attributable to the non-controlling interests	(8,686)	(11,783)
Loss for the year	(58,292)	(79,078)
Other comprehensive income/(expense) attributable to owners of the Company	4,501	(2,116)
Other comprehensive income/(expense) attributable to non-controlling interests	788	(373)
Other comprehensive income/(expense) for the year	5,289	(2,489)
Total comprehensive expense attributable to owners of the Company	(45,105)	(69,411)
Total comprehensive expense attributable to non-controlling interests	(7,898)	(12,156)
Total comprehensive expense for the year	(53,003)	(81,567)
Net cash (used in)/from operating activities	(22,145)	7,484
Net cash used in investing activities	(9,893)	(3,565)
Net cash (used in)/from financing activities	(603)	25,427
Net (decrease) increase in cash and cash equivalents	(32,641)	29,346

50. Statement of Financial Position of the Company

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Intangible assets		272	1,359
Financial assets at fair value through other comprehensive income		8,494	7,744
Interest in subsidiaries	1	–	–
		8,766	9,103
Current assets			
Other receivables, deposits and prepayments		24,485	43,820
Amounts due from subsidiaries		671,141	1,019,661
Bank balances and cash		155	3,693
		695,781	1,067,174
Current liabilities			
Other payables and accruals		67,241	39,334
Amount due to a director		13,531	8,173
Amount due to subsidiaries		25,097	25,135
Guaranteed note		20,000	78,991
Bonds		321,416	199,397
Bank borrowings		61,668	1,103
		508,953	352,133
Net current assets		186,828	715,041
Total assets less current liabilities		195,594	724,144
Non-current liability			
Bonds		64,581	158,704
Net assets		131,013	565,440
Capital and reserves			
Share capital		118,204	98,170
Reserves		12,809	467,270
Total equity		131,013	565,440

Chong Heung Chung Jason
DIRECTOR

Liu Moxiang
DIRECTOR

50. Statement of Financial Position of the Company (Continued)

The movements in the reserves of the Company were as follows:

	Share premium HK$'000	Investment revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated deficit HK$'000	Total reserves HK$'000
At 1 April 2020	578,726	(29,593)	12,836	(125,372)	436,597
Loss for the year	–	–	–	(115,264)	(115,264)
Fair value gain on financial assets at fair value through other comprehensive income	–	2,402	–	–	2,402
Total comprehensive income/(expense) for the year	–	2,402	–	(115,264)	(112,862)
Issuance of consideration shares (Note 40)	143,535	–	–	–	143,535
Transfer upon lapse of share options	–	–	(12,836)	12,836	–
At 31 March 2021	722,261	(27,191)	–	(227,800)	467,270
Loss for the year	–	–	–	(494,190)	(494,190)
Fair value loss on financial assets at fair value through other comprehensive income	–	(9,509)	–	–	(9,509)
Total comprehensive expense for the year	–	(9,509)	–	(494,190)	(503,699)
Recognition of equity-settled share based payments	–	–	2,562	–	2,562
Issue of shares for debt capitalisation (Note 40)	36,816	–	–	–	36,816
Issue of shares for share swap (Note 40)	9,860	–	–	–	9,860
At 31 March 2022	**768,937**	**(36,700)**	**2,562**	**(721,990)**	**12,809**

Note:

1. The balance represents an amount of less than HK$1,000.

51. Litigation

(a) Maxx Capital Finance Limited (HCCW 190/2022)

A winding-up petition (HCCW 190/2022) (the "**Petition**") was presented on 27 May 2022 against the Company by Maxx Capital Finance Limited (the "**Petitioner**") for the claim of a guaranteed note issued to the Petitioner, plus outstanding and accrued interest in the sum of approximately HK$22,893,000, up to 4 May 2022. As the Company believed that the Petitioner had breached its settlement agreement with the Company, on 13 July 2022, the Company filed a summons at the High Court to strike out the Petition (the "**Summons**"). The hearing of the Summons will be held on 30 November 2022. In view of the aforesaid, the directors of the Company believe that the Petition will be struck out.

For details, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022, 23 June 2022, 18 July 2022 and 21 July 2022.

51. Litigation (Continued)

(b) ACCP Global Limited (HCA1618/2021)

On 1 September 2021, ACCP Global Limited (the "**Subscriber**") entered into a share subscription agreement ("**SSA**") with the Company pursuant to which the Company conditionally agreed to allot and issue 86,000,000 shares (the "**Shares**") of the Company at a subscription price of HK$2.50 per share to the Subscriber. On 29 September 2021, the Shares of the Company were allotted and issued to the Subscriber in two batches with the first one consisting of 40,000,000 and the second one comprising 46,000,000 of the Shares. However, the Subscriber refused to pay the full consideration for the Shares at the subscription price pursuant to the SSA on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of SSA. On that basis, the Subscriber claimed that the SSA had been repudiated and was not obliged to perform its obligations pursuant to the SSA. On 26 October 2021, the Subscriber filed a writ of summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive director of the Company, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company.

The Company denied the alleged misrepresentations and on 6 May 2022, the Company filed a Defence and Counterclaim against the Subscriber and other 2 concerned parties for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief.

Having evaluated the merits of the Company's case, the directors of the Company believe that the Subscriber's claim for the alleged misrepresentation is groundless. In view of the aforesaid, the directors of the Company consider that no provision for this claim is necessary.

For details of the share subscription, please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021.

(c) Claims from bond holders

During the year ended 31 March 2022 and up to the date of this report, several demand letters and statutory demands were served on the Company by bond holders of the Company (the "**Bond Holders**"), demanding the Company to repay outstanding bond payables and accrued interest in an aggregate amount of approximately HK$51,000,000.

As of the date of this report, no legal action has been taken by the Bond Holders. Further, the Company is still proactively negotiating with the Bond Holders for repayment schedules.

(d) Legal claim against HuaJiatai (Shanghai) Indoor Amusement Co., Ltd.

On 18 December 2019, a legal claim action was taken by a subcontractor against a subsidiary of the Company, HuaJiatai (Shanghai) Indoor Amusement Co., Ltd. (華嘉泰(上海)室內遊樂有限公司) ("**HuaJiatai**") for decoration service fees and accrued interest of approximately RMB20,000,000 (equivalent to approximately HK$21,833,000) in total.

Based on the information gathered by the directors of the Company, on 15 June 2020, a verbal agreement to settle the dispute was made between the subcontractor and HuaJiatai, in which both parties agreed that an amount of approximately RMB4,000,000 (equivalent to approximately HK$4,367,000) was to be paid to the subcontractor by HuaJiatai as a full settlement of the claim.

In the opinion of the directors of the Company, a formal settlement agreement will be signed once the travel restriction to China is lifted, and a provision of approximately RMB4,000,000 (equivalent to approximately HK$4,367,000) was made in regards to the claim and included in other payables and accruals at 31 March 2020.

As at 31 March 2022, the case remains unsettled as the senior management of the Group are based in Hong Kong and are restrained from travelling to the PRC for case settlement as a result of travel restriction imposed by the government due to COVID-19.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**453,136**	478,309	391,814	632,881	801,459
Cost of sales and services	**(390,410)**	(310,609)	(324,045)	(474,205)	(579,123)
Gross Profit	**62,726**	167,700	67,769	158,676	222,336
Other income	**10,559**	8,370	4,588	7,515	6,047
Other gains and losses	**(8,154)**	52,558	130,148	78,650	(31,878)
Selling and distribution expenses	**(14,954)**	(12,895)	(23,432)	(22,840)	(39,778)
Administrative expenses	**(180,067)**	(87,020)	(122,000)	(93,129)	(88,937)
Research and development expenses	**(11,678)**	(10,807)	(19,394)	(17,986)	(17,843)
Share of profit of a joint venture	**(18,930)**	8,709	–	–	–
Share of result of associates	**(112,351)**	8,773	(297)	–	(25)
Gain on disposal of a subsidiary	**–**	–	161,953	–	–
Finance costs	**(80,638)**	(88,659)	(77,997)	(55,363)	(27,581)
Impairment loss on investment in joint venture	**(2,156)**	–	–	–	–
Impairment loss on property, plant and equipment	**(69,589)**	–	–	–	–
Impairment loss on right-of-use assets	**(20,566)**	–	–	–	–
Impairment loss on intangible assets	**(96,051)**	–	–	–	–
Reversal of/(Provision of impairment loss) on trade and other receivables	**(537,296)**	5,227	(17,971)	(10,614)	–
Other expense	**–**	–	(387)	(188)	(875)
(Loss)/profit before taxation	**(1,079,145)**	51,956	102,980	44,721	21,466
Taxation	**18,679**	19,026	6,508	14,843	(224)
(Loss)/profit for the year	**(1,060,466)**	70,982	109,488	59,564	21,242
Other comprehensive income (expense):					
Item that may be reclassified to profit or loss:					
Remeasurement of defined benefit plans	**(1,368)**	(1,124)	(1,490)	838	690
Fair value gain/(loss) on financial assets at fair value through other comprehensive income					
– investment in equity instrument at fair value through other comprehensive income	**(45,442)**	75,536	(26,394)	(54,654)	–
– hedging instrument for fair value hedge	**–**	(65,202)	–	–	–
Items that may be reclassified subsequently differences arising on translation of:					
– subsidiaries	**5,172**	(2,452)	(6,219)	(10,485)	15,233
– associate	**–**	–	(598)	(451)	603
Fair value gain on available-for-sale investments	**–**	–	–	–	670
Other comprehensive income (expense) for the year	**(41,638)**	6,758	(34,701)	(64,752)	17,196
Total comprehensive income (expense) for the year	**(1,102,104)**	77,740	74,787	(5,188)	38,438

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2022 **HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(1,050,184)**	83,086	105,222	58,372	20,790
Non-controlling interests	**(10,282)**	(12,104)	4,266	1,192	452
	(1,060,466)	70,982	109,488	59,564	21,242
ASSETS AND LIABILITIES					
Total assets	**1,181,108**	2,208,950	1,932,597	1,674,874	1,664,578
Total liabilities	**(1,043,599)**	(1,038,609)	(989,695)	(786,239)	(752,932)
Net assets	**137,509**	1,170,341	942,902	888,635	911,646
Total equity attributable to owners of the Company	**149,356**	1,172,543	932,648	882,244	910,982
Non-controlling interests	**(11,847)**	(2,202)	10,254	6,391	664
Total equity	**137,509**	1,170,341	942,902	888,635	911,646